

Vishay Ltd

Report and Accounts

31 December 1998



Vishay Ltd

Registered No: 886870

DIRECTORS

J J Holmberg
J W Wheeler
R Freece
G W Paul
P N Jeffreys
L Bell
J G Deller

SECRETARY

J J Holmberg

AUDITORS

Ernst & Young
Norham House
12 New Bridge Street West
Newcastle upon Tyne
NE1 8AD

BANKERS

Barclays Bank Plc
53 Fawcett Street
Sunderland
Tyne & Wear

SOLICITORS

Edwin Coe Solicitors
2 Stone Buildings
Lincoln's Inn
London
WC2A 3TH

REGISTERED OFFICE

Pallion Industrial Estate
Sunderland
Tyne & Wear
SR4 6SU

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1998.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The activities of the Company consist of the manufacture and sale of electronic components, predominantly resistors, thermistors and capacitors.

The Company did operate from four locations: Attleborough near Norwich, Maryport, High Wycombe and Sunderland, with the latter being the Head Office of the Company's business in the United Kingdom. In September the Company announced the transfer of thermistor manufacture from Maryport to Israel with the Maryport facility continuing to focus on the development of the thermistor assembly business. In December 1998 a further restructuring programme was announced which involved the closure of the site in High Wycombe during the course of 1999.

RESULTS AND DIVIDENDS

The loss for the year attributable to shareholders amounts to £(526)k (1997 profit: £1,876k) and is dealt with as shown in the profit and loss account. The directors do not propose the payment of a dividend.

Whilst the financial results included a restructuring provision of £1,088k, results were impacted by the significant downturn in sales in the United Kingdom compared to 1997. This downturn reflected the general situation in the UK manufacturing sector. The Group continues to maintain close control on costs and the planned restructuring will consolidate performance in future years.

FIXED ASSETS

The changes in fixed assets during the year are summarised in note 11 to the accounts.

DIRECTORS

The directors during the year were as follows:

J J Holmberg
J W Wheeler
R Freece
G W Paul
J G Deller
P N Jeffreys
L Bell

DIRECTORS' INTERESTS

According to the register maintained as required under the Companies Act 1985, the director's interest in the share capital of the company was as follows:

	<i>31 December 1998 Ordinary</i>	<i>31 December 1997 Ordinary</i>
J J Holmberg	1	1

DISABLED EMPLOYEES

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

DIRECTORS' REPORT

EMPLOYEE INVOLVEMENT

It is policy to provide employees with information about the Group. Consultative procedures enable management and other employees to discuss matters of mutual interest, including health and safety.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond.

The Company began to formally address the Year 2000 issue early in 1998. It had been known for some time that the Company's main business system was compliant but that all operational systems needed to be checked. A project team, lead by a board level sponsor, was created to identify potential date related issues. The BSI DISC 2000 guidelines was adopted as a basis for the work of the project team and the definition of Year 2000 compliance. The project work embodies all aspects of the Company's operations both internal and external. Whilst work is ongoing there is confidence that the Year 2000 issue will not create errors in accounting records or adversely affect operations to any significant degree.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board

J J Holmberg
Secretary

J J Holmberg
ASSISTANT
SECRETARY

27 October 1999

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

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

**REPORT OF THE AUDITORS
to the members of Vishay Ltd**

We have audited the accounts on pages 7 to 16, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

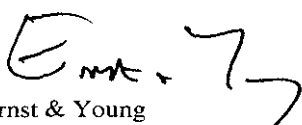
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Newcastle upon Tyne

27 October 1999

Vishay Ltd

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1998

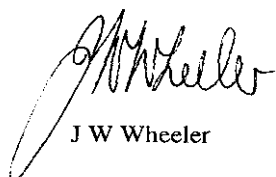
	Notes	1998 £000	1997 £000
TURNOVER	2	23,236	29,880
Operating costs	3	(23,558)	(26,553)
		(322)	3,327
Other operating expenses	7	(286)	(611)
OPERATING (LOSS)/PROFIT	4	(608)	2,716
Interest receivable and similar income	8	56	49
Interest payable and similar charges	9	-	(6)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(552)	2,759
Tax on (loss)/profit on ordinary activities	10	26	(882)
RETAINED (LOSS)/PROFIT FOR THE YEAR TRANSFERRED TO RESERVES	25	(526)	1,877
STATEMENT OF MOVEMENTS ON RESERVES			
Balance at 1 January 1998		3,703	1,847
Retained (loss)/profit for the year		(526)	1,877
Movement on exchange		11	(21)
Balance at 31 December 1998		3,188	3,703
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES			
		1998 £000	1997 £000
(Loss)/profit for the year		(526)	1,877
Movement on exchange arising on Intercompany loan		11	(21)
		(515)	1,856

Vishay Ltd

BALANCE SHEET at 31 December 1998

	Notes	1998 £000	1997 £000
FIXED ASSETS			
Tangible assets	11	1,883	2,224
Investments	12	8,021	8,021
		<u>9,904</u>	<u>10,245</u>
CURRENT ASSETS			
Stock	13	7,045	7,593
Debtors (see note below)	14	10,055	10,220
Cash at bank and in hand		716	1,199
		<u>17,816</u>	<u>19,012</u>
CREDITORS: amounts falling due within one year			
Obligations under finance leases	15	-	4
Trade and other creditors	16	2,816	4,779
		<u>2,816</u>	<u>4,783</u>
NET CURRENT ASSETS		<u>15,000</u>	<u>14,229</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>24,904</u>	<u>24,474</u>
CREDITORS: amounts falling due after more than one year	17	20,618	20,621
PROVISIONS	18	1,088	140
		<u>3,198</u>	<u>3,713</u>
CAPITAL AND RESERVES			
Called up share capital	20	10	10
Profit and loss account	25	3,188	3,703
Shareholders funds	25	<u>3,198</u>	<u>3,713</u>

Debtors and net current assets include amounts recoverable after more than one year of £4,533,000. (1997: £4,530,000).



J W Wheeler

Director

27 October 1999

NOTES TO THE ACCOUNTS
at 31 December 1998

1. ACCOUNTING POLICIES

Accounting policies

The accounts are prepared under the historical cost convention.

Group accounts

The company is exempt from the requirements to prepare group accounts by virtue of Section 228 of the Companies Act 1985.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Depreciation

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

Improvements to leasehold property	-	over 50 years
Plant and machinery	-	over 8 to 10 years
Fixtures and fittings	-	over 5 to 7 years
Tools and equipment	-	over 3 years
Computer	-	over 4 years
Motor vehicles	-	over 3 years

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value as follows:

Raw materials and goods for resale	-	purchase cost on a first-in, first-out basis.
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that taxation will be payable.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Government grants

Government grants on capital expenditure are credited to a deferred income account and are released over the expected useful lives of the assets.

Vishay Ltd

NOTES TO THE ACCOUNTS at 31 December 1998

1. ACCOUNTING POLICIES (continued)

Pension costs

The company operates two pension schemes. A defined contribution pension scheme is operated for certain employees of the Vitramon division of the company. Contributions are charged in the profit and loss account as they become payable.

The company also operates a defined benefit pension scheme. Contributions to the fund are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the company. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuation, are amortised over the expected remaining working lives of the employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

2. TURNOVER

Turnover comprises the invoice value of goods and services supplied by the company exclusive of VAT. All turnover arises in respect of the company's principal activity.

A geographical analysis of turnover is as follows:

	1998 £000	1997 £000
United Kingdom	15,408	23,400
Europe	7,106	5,798
Rest of World	722	682
	<u>23,236</u>	<u>29,880</u>

3. OPERATING COSTS

	1998 £000	1997 £000
Decrease/(increase) in stocks	548	(2,619)
Raw materials and consumables	17,224	22,086
Staff costs:		
- Wages and salaries	2,848	3,905
- Social security costs	281	323
- Pensions	212	215
Depreciation and other amounts written off tangible and intangible fixed assets (including depreciation of assets held under finance leases £Nil (1997: £19,884))	572	616
Other operating charges	1,873	2,027
	<u>23,558</u>	<u>26,553</u>

Vishay Ltd

NOTES TO THE ACCOUNTS at 31 December 1998

4. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging:

	1998 £000	1997 £000
Leasehold property rent	164	129
Auditors' remuneration - audit services	21	21
Hire of plant and machinery - rentals payable under operating leases	113	107

Non audit fees paid to Ernst & Young amounted to £45,000 (1997: £15,000).

5. EMOLUMENTS OF DIRECTORS

	<i>Highest paid director</i>		<i>All directors</i>	
	1998 £000	1997 £000	1998 £000	1997 £000
Directors' fees and remuneration	114	81	292	257
Company contributions paid to money purchase pension schemes	9	Nil	14	12

No director has any shares or share options in the company (1997: Nil).

At 31 December 1998 two directors were eligible for defined benefit pension schemes (1997: two directors).

The accrued pension benefit payable to the highest paid director is £27,219 (1997: £25,339). This is based upon the director not receiving a lump sum on retirement. Accrued pension benefits can be converted into a lump sum payment, which would reduce the accrued benefit stated above.

6. STAFF NUMBERS

The average number of persons employed by the company during the year, including directors was as follows:

	1998 No.	1997 No.
Factory	159	224
Selling	50	54
Administration	16	18
	225	296

Vishay Ltd

NOTES TO THE ACCOUNTS at 31 December 1998

7. OTHER OPERATING (EXPENSES)/INCOME

	<i>1998</i> <i>£000</i>	<i>1997</i> <i>£000</i>
Royalty expense	(364)	(768)
Commission receivable	171	153
Exchange differences	(65)	46
Commission payable	(28)	(42)
	<u>(286)</u>	<u>(611)</u>

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>1998</i> <i>£000</i>	<i>1997</i> <i>£000</i>
Bank interest	56	49
	<u>56</u>	<u>49</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>1998</i> <i>£000</i>	<i>1997</i> <i>£000</i>
Bank interest	-	5
Interest payable in respect of finance leases	-	1
	<u>-</u>	<u>6</u>

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

The (credit)/charge based on the profit for the year:

	<i>1998</i> <i>£000</i>	<i>1997</i> <i>£000</i>
Corporation tax at 31% (1997: 31.5%)	-	852
Adjustment in respect of prior year	-	4
Transfer (from)/to deferred taxation	(26)	26
	<u>(26)</u>	<u>882</u>

Vishay Ltd

NOTES TO THE ACCOUNTS at 31 December 1998

11. TANGIBLE FIXED ASSETS

	<i>Land and buildings £000</i>	<i>Plant, machinery & equipment £000</i>	<i>Total £000</i>
Cost:			
At 1 January 1998	1,345	7,655	9,000
Additions	18	345	363
Disposals	(356)	(850)	(1,206)
At 31 December 1998	1,007	7,150	8,157
Depreciation:			
At 1 January 1998	625	6,151	6,776
Charge for year	43	529	572
Disposals	(236)	(838)	(1,074)
At 31 December 1998	432	5,842	6,274
Net book amount at 31 December 1998	575	1,308	1,883
Net book amount at 31 December 1997	720	1,504	2,224

Included in tangible fixed assets are assets held under finance leases with net book value of £Nil (1997: £9,587).

12. INVESTMENTS

	<i>£000</i>
Cost at 1 January 1997 and 31 December 1998	8,021

The company has a 100% interest in the following Companies:

<i>Name of company</i>	<i>Country of registration</i>	<i>Nature of business</i>
ACI Components Ltd	England	Dormant
Gro Con Inc	USA	Investment company
Grued Inc	USA	Investment company
Heavybarter	England	Dormant

13. STOCKS

	<i>1998 £000</i>	<i>1997 £000</i>
Raw materials and consumables	906	1,304
Work in progress	499	596
Finished goods and goods for resale	5,640	5,693
	7,045	7,593

The replacement cost of stock is not materially different from the balance sheet values.

Vishay Ltd

NOTES TO THE ACCOUNTS at 31 December 1998

14. DEBTORS

	1998 £000	1997 £000
Trade debtors	5,205	5,330
Prepayments and accrued income	151	244
Group company balances	4,699	4,646
	<u>10,055</u>	<u>10,220</u>

Included in group company balances are amounts totalling £4,533,000 which are due after more than one year (1997: £4,530,000).

15. OBLIGATIONS UNDER FINANCE LEASES

Finance leases and hire purchase contracts are analysed as follows:

	1998 £000	1997 £000
Current obligations	-	4
Non-current obligations	-	3
	<u>-</u>	<u>7</u>

16. TRADE AND OTHER CREDITORS

	1998 £000	1997 £000
Trade creditors	248	738
Other taxation and Social Security costs	154	116
Accruals and deferred income	613	540
Amounts owed to group companies	1,635	2,543
Corporation tax	166	842
	<u>2,816</u>	<u>4,779</u>

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998 £000	1997 £000
Finance lease commitments	-	3
Amounts owed to group companies	18,617	18,617
Amounts owed to holding company	2,001	2,001
	<u>20,618</u>	<u>20,621</u>

18. PROVISIONS

	1998 £000	1997 £000
Provision for reorganisation and restructuring	1,088	114
Deferred taxation	-	26
	<u>1,088</u>	<u>140</u>

Vishay Ltd

NOTES TO THE ACCOUNTS at 31 December 1998

19. DEFERRED TAXATION

	1998 £000	1997 £000
At 1 January 1998	26	-
Transfer from group company	-	-
Release for the year	(26)	-
Provided in year	-	26
At 31 December 1998	-	26

Full provision for deferred taxation has been made in these accounts as follows:

	1998 £000	1997 £000
Accelerated capital allowances	-	52
Short term timing differences	-	(26)
	-	26

20. CALLED UP SHARE CAPITAL

	1998 No.	Allotted 1997 No.	1998 £000	Authorised, issued and fully paid 1997 £000
Ordinary 'A' shares of 5p each	100,000	100,000	5	5
Ordinary 'B' shares of 5p each	100,000	100,000	5	5
	200,000	200,000	10	10

21. FINANCIAL COMMITMENTS

a) At 31 December 1998 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	1998 £000	1997 £000	1998 £000	1997 £000
Leases expiring:				
Within one year	3	76	4	26
Within two to five years	17	17	60	48
Over five years	106	30	-	-
	126	123	64	74

b) Capital commitments

	1998 £000	1997 £000
Contracted	-	134
Authorised by the directors but not contracted	-	110

Vishay Ltd

NOTES TO THE ACCOUNTS at 31 December 1998

22. COMMITMENTS TO PENSION FUND

The Company operates a defined benefit pension scheme and a defined contribution pension scheme, both of which are funded by payment of contributions to separately administered funds. The contributions to the defined benefit scheme are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit method of funding. The most recent valuation report was issued in April 1997 and has an effective date of 6 April 1996. The valuation shows the market value of assets to be £1,562,000. The level of funding after allowing for future salary increases is 108%. The principal assumptions used were that investment returns would be 8.5% per annum and that salaries would increase by 6.5% per annum. The results of the valuation indicated that the total contribution rate could be decreased by 1.1% of pensionable payroll. However, in view of the surplus and increase in costs due to legislation it was recommended that the existing contribution rate be maintained until April 1998, with an increase of 3.1% of pensionable payroll from then until the next review. The considered opinion of the Actuary was that as at 6 April 1996 the assets of the Scheme were sufficient to cover the accrued discontinuance liabilities.

23. CONTINGENT LIABILITIES

There were no outstanding contingent liabilities at the year end (1997: £Nil).

24. ULTIMATE HOLDING COMPANY

In the opinion of the directors the company's ultimate holding company is Vishay Intertechnology Inc which is a company incorporated in the United States of America. The company's immediate holding company is E-Sil Components Limited, a company incorporated in England and Wales, Registered Number 2177694.

25. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital</i> <i>£000</i>	<i>Profit and</i> <i>loss account</i> <i>£000</i>	<i>Total</i> <i>Shareholders</i> <i>funds</i> <i>£000</i>
At 1 January 1996	10	1,847	1,857
Profit for the year	-	1,877	1,877
Movement on exchange	-	(21)	(21)
At 31 December 1997	10	3,703	3,713
Loss for the year	-	(526)	(526)
Movement on exchange	-	11	11
At 31 December 1998	10	3,188	3,198