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HUBER+SUHNER (UK) LIMITED

REPORT & ACCOUNTS

31st DECEMBER 1997



Huber + Suhner (UK) Limited

Report and Accounts

31 December 1997

Registered No. 902205

DIRECTORS

M Capps
P Harris
P N Taylor

Chairman (Swiss)
Managing Director

SECRETARY

P Harris

AUDITORS

Ernst & Young
400 Capability Green
Luton
Bedfordshire
LU1 3LU

BANKERS

Lloyds Bank Plc
56 High Street
Marlow
Buckinghamshire
SL7 1AJ

SOLICITORS

Bristows Coke & Carpmael
10 Lincoln's Inn Fields
London

REGISTERED OFFICE

Telford Road
Bicester
Oxfordshire
OX6 0LA

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £ 1,289,000 (1996 - £1,067,000). The directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be that of importing, manufacturing and selling of components and accessories for the electronics and telecommunications industry. Total turnover in the year increased by over 21% reflecting expansion in the business. In addition to the increase in UK sales of nearly 15%, particularly pleasing is the achievement of more than £10.7m of export sales. Further profitable growth for 1998 is anticipated as the company continues to increase its manufacturing facilities.

FIXED ASSETS

The changes in fixed assets during the year are summarised in note 8 to the accounts. Capital expenditure totalling £1,155,000 has been primarily made by the company on new manufacturing facilities to meet the planned growth in manufacturing by the company. No formal valuation has been performed on the freehold land and buildings but the directors estimate the open market value to be in excess of the cost at which they are carried in the accounts.

DIRECTORS AND THEIR INTERESTS

The directors, all of whom served throughout the year, are as follows:

M Capps
P Harris
P N Taylor

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

DISABLED EMPLOYEES

The group 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.

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the company has been continued through the newsletter "Teamtalk" in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the company's profit related pay scheme.


CLOSE COMPANY

The company is not a close company within the provisions of the Income & Corporation Taxes Act 1988.

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.


Secretary

10 MAR 1998

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; 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 Huber + Suhner (UK) Limited

We have audited the accounts on pages 6 to 15, which have been prepared under the historical cost convention, and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4, 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.

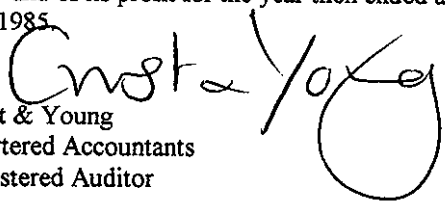
Basis of opinion

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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Chartered Accountants
Registered Auditor
Luton

10 MAR 1998

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1997

	<i>Notes</i>	<i>1997</i> <i>£000</i>	<i>1996</i> <i>£000</i>
TURNOVER	2	34,896	28,753
Cost of sales		<u>27,160</u>	<u>21,686</u>
GROSS PROFIT		<u>7,736</u>	<u>7,067</u>
Distribution costs		357	232
Administrative expenses		<u>4,995</u>	<u>4,827</u>
		<u>5,352</u>	<u>5,059</u>
OPERATING PROFIT	3	<u>2,384</u>	<u>2,008</u>
Interest receivable		(12)	-
Interest payable	6	519	372
		<u>507</u>	<u>372</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,877	1,636
Tax on profit on ordinary activities	7	<u>588</u>	<u>569</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		1,289	1,067
Retained profit brought forward		<u>1,870</u>	<u>803</u>
RETAINED PROFIT CARRIED FORWARD		<u>3,159</u>	<u>1,870</u>

There are no recognised gains or losses other than the profit for the year.

BALANCE SHEET
at 31 December 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Tangible assets	8	<u>6,965</u>	<u>6,935</u>
CURRENT ASSETS			
Stocks	9	8,769	7,311
Debtors	10	3,843	5,165
Cash at bank and in hand		-	3
		<u>12,612</u>	<u>12,479</u>
CREDITORS: amounts falling due within one year	11	<u>6,635</u>	<u>8,370</u>
NET CURRENT ASSETS		<u>5,977</u>	<u>4,109</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,942</u>	<u>11,044</u>
CREDITORS: amounts falling due after more than one year	12	5,363	4,758
PROVISIONS FOR LIABILITIES AND CHARGES	15	420	416
		<u>7,159</u>	<u>5,870</u>
CAPITAL AND RESERVES			
Called up share capital	16	4,000	4,000
Profit and loss account	17	3,159	1,870
		<u>7,159</u>	<u>5,870</u>

Director

 made 10th / 1998

NOTES TO THE ACCOUNTS
at 31 December 1997

1 ACCOUNTING POLICIES

Accounting convention

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

Depreciation

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

Land	-	Nil
Freehold buildings	-	2%
Plant and equipment	-	10% - 20%
Motor vehicles	-	25%

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale - purchase cost on 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 expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that tax will be payable.

Foreign currencies

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

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

All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, 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 the capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

NOTES TO THE ACCOUNTS
at 31 December 1997

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Cashflow statement

The company has taken advantage of the exemption to prepare a cashflow statement under FRS1 (Revised).

2 TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

The turnover and pre-tax profits are attributable to one continuing activity, the importing, manufacturing and selling of components and accessories for the electronics and telecommunications industry.

An analysis of turnover by destination is as follows:

	1997 £000	1996 £000
United Kingdom	24,152	20,955
Switzerland	10,297	7,322
Rest of the World	447	476
	<u>34,896</u>	<u>28,753</u>

3 OPERATING PROFIT

	1997 £000	1996 £000
This is stated after charging/(crediting):		
Auditors' remuneration - audit services	26	25
- non audit services	5	12
Depreciation of owned tangible fixed assets	975	601
Depreciation of fixed assets held under finance leases	136	75
Exchange losses/(gains)	47	(216)
Operating lease rentals -		
Plant and machinery	69	51
Land and buildings	6	-
	<u>6</u>	<u>-</u>

4 **DIRECTORS' EMOLUMENTS**

	<i>1997</i> <i>£000</i>	<i>1996</i> <i>£000</i>
Fees	1	1
Other emoluments	132	113
Pension contributions	<u>7</u>	<u>6</u>
	<u>140</u>	<u>120</u>

5 **STAFF COSTS**

	<i>1997</i> <i>£000</i>	<i>1996</i> <i>£000</i>
Wages and salaries	4,748	3,078
Social security costs	436	281
Other pension costs	95	72
	<u>5,279</u>	<u>3,431</u>

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

	<i>1997</i> <i>No.</i>	<i>1996</i> <i>No.</i>
Manufacturing	253	145
Office and management	143	80
	<u>396</u>	<u>225</u>

6 **INTEREST PAYABLE**

	<i>1997</i> <i>£000</i>	<i>1996</i> <i>£000</i>
Bank Loans and Overdraft	295	183
Interest charged by parent company	218	170
Finance charges payable under finance leases	6	19
	<u>519</u>	<u>372</u>

NOTES TO THE ACCOUNTS
at 31 December 1997

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £000	1996 £000
Based on the profit for the year:		
Corporation tax at an effective rate of 31% (1996:33%)	613	422
Corporation tax over provided in respect of prior year	(29)	-
Deferred taxation	(25)	147
Deferred taxation under provided in respect of prior year	29	-
	<u>588</u>	<u>569</u>

8 TANGIBLE FIXED ASSETS

	Land £000	Freehold buildings £000	Plant and Equipment £000	Motor vehicles £000	Total £000
Cost:					
At 1 January 1997	398	3,042	4,415	550	8,405
Additions	-	122	855	178	1,155
Disposals	-	-	(9)	(93)	(102)
At 31 December 1997	<u>398</u>	<u>3164</u>	<u>5261</u>	<u>635</u>	<u>9458</u>
Depreciation:					
At 1 January 1997	-	253	981	236	1,470
Provided during the year	-	62	918	131	1,111
Disposals	-	-	(6)	(82)	(88)
At 31 December 1997	<u>-</u>	<u>315</u>	<u>1,893</u>	<u>285</u>	<u>2,493</u>
Net book value:					
At 31 December 1997	<u>398</u>	<u>2,849</u>	<u>3,368</u>	<u>350</u>	<u>6,965</u>
At 1 January 1997	<u>398</u>	<u>2,789</u>	<u>3,434</u>	<u>314</u>	<u>6,935</u>

At 31 December 1997 motor vehicles with a net book value of £350,000 (1996 : £314,000) were held under finance leases.

9 STOCKS

	1997 £000	1996 £000
Raw materials and work in progress	3,969	2,958
Finished goods	<u>4,800</u>	<u>4,353</u>
	<u>8,769</u>	<u>7,311</u>

NOTES TO THE ACCOUNTS
at 31 December 1997

10 **DEBTORS**

	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	3,358	4,380
Amounts owed by parent and fellow subsidiary undertakings	247	594
Prepayments and accrued income	221	148
Other debtors	17	43
	<u>3,843</u>	<u>5,165</u>

11 **CREDITORS: amounts falling due within one year**

	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Bank overdraft	1,268	2,585
Current instalments due on loans (note 13)	72	72
Obligations under finance leases and hire purchase contracts (note 14)	129	102
Trade creditors	645	1,190
Amounts owed to parent and fellow subsidiary undertakings	2,945	3,403
Current corporation tax	610	422
Other taxes and social security costs	143	106
Other creditors	39	70
Accruals	784	420
	<u>6,635</u>	<u>8,370</u>

12 **CREDITORS: amounts falling due after more than one year**

	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Bank loans (note 13)	1,738	2,136
Obligations under finance leases and hire purchase contracts (note 14)	125	122
Amounts owed to parent and fellow subsidiary undertakings	3,500	2,500
	<u>5,363</u>	<u>4,758</u>

NOTES TO THE ACCOUNTS
at 31 December 1997

13 LOANS

	1997 £000	1996 £000
Bank loans not wholly repayable within five years	680	758
Other loans wholly repayable within five years	1,130	1,450
	<u>1,810</u>	<u>2,208</u>

Amounts repayable by instalments:

Within one year	72	72
Within one and two years	72	72
Within two to five years	1,346	1,666
In more than five years	320	398
	<u>1,810</u>	<u>2,208</u>

The bank loan is secured by a legal charge over the freehold factory and land and buildings.
The loan is repayable by monthly instalments and carries interest at 1.0% above Lloyds Bank Plc base rate.

14 OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	1997 £000	1996 £000
Amounts payable:		
Within one year	146	119
Within one and two years	103	86
Within two to five years	30	49
	<u>279</u>	<u>254</u>
Less: finance charges allocated to future periods	25	30
	<u>254</u>	<u>224</u>

Finance leases and hire purchase contracts are analysed as follows:

	1997 £000	1996 £000
Current obligations	129	102
Non-current obligations	125	122
	<u>254</u>	<u>224</u>

NOTES TO THE ACCOUNTS
at 31 December 1997

15 **DEFERRED TAXATION**

Deferred taxation has been fully provided for as follows:

	1997 £000	1996 £000
Capital allowances in advance of depreciation	<u>420</u>	<u>416</u>

16 **SHARE CAPITAL**

	1997 No. (000)	1996 No. (000)	Authorised 1997 £000	Allotted, called up and fully paid 1996 £000
4,000,000 Ordinary shares of £1 each	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>

17 **RECONCILIATION OF TOTAL SHAREHOLDERS' FUNDS**

	Share Capital £000	Profit & Loss £000	Total £000
Balance at 31 December 1995	4,000	803	4,803
Profit for the year	<u>-</u>	<u>1,067</u>	<u>1,067</u>
Balance at 31 December 1996	4,000	1,870	5,870
Profit for the year	<u>-</u>	<u>1,289</u>	<u>1,289</u>
Balance at 31 December 1997	<u>4,000</u>	<u>3,159</u>	<u>7,159</u>

18 **CAPITAL COMMITMENTS**

	1997 £000	1996 £000
Contracted	<u>21</u>	<u>100</u>

19 **CONTINGENT LIABILITIES**

There is an indemnity to H M Customs & Excise totalling £800,000 with recourse to the company and a customer guarantee of £69,000 which expires 31 December 1998.

NOTES TO THE ACCOUNTS
at 31 December 1997

20 **OTHER FINANCIAL COMMITMENTS**

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and Buildings</i>		<i>Plant and machinery</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
Within one year	-	-	60	-
Within two to five years	-	-	-	60
Within more than five years	6	-	-	-

21 **PENSION COMMITMENTS**

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Premiums paid to this scheme amounted to	<u>95</u>	<u>72</u>

22 **DIRECTOR'S LOAN**

On 8 May 1996 approval was given for a interest free loan of £40,000 to be made to P Harris to cover his relocation to nearer the company premises. At 31 December 1997 £20,000 (1996 - £40,000) was outstanding and is included in other debtors. The loan is repayable upon the sale of the property previously occupied by P Harris and the remaining balance is anticipated to be repaid by April 1998.

23 **RELATED PARTY TRANSACTIONS**

In accordance with the exemption permitted by FRS8, the company does not report details of transactions with other group companies.

24 **PARENT UNDERTAKING**

The parent undertaking of the group of undertakings for which group accounts are drawn up and of which the company is a member is Huber + Suhner AG, a company incorporated in Switzerland. Copies of Huber + Suhner AG's accounts can be obtained from CH.9100 Herisau, Switzerland.