HUBER + SUHNER (UK) LIMITED

Company Number: 902205

Report and Financial Statements

31 December 2006

Registered No 902205

OFFICERS & PROFESSIONAL ADVISERS

DIRECTORS

P Harris	Chairman
U Kaufmann	
B Schwarzer	

SECRETARY
C Bygrave

AUDITORS
PricewaterhouseCoopers LLP
Central Business Exchange
Midsummer Boulevard
Central Milton Keynes
MK9 2DF

BANKERS
Lloyds Bank Plc
56 High Street
Marlow
Buckinghamshire
SL7 1AJ

SOLICITORS
DLA
Victoria Square House
Victoria Square
Birmingham
B2 4DL

REGISTERED OFFICE
Telford Road
Bicester
Oxfordshire
OX26 4LA

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 December 2006

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,579,000 (2005 – £695,000) The directors do not recommend the payment of a dividend (2005 - £nil)

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company's principal activities during the year continue to be that of importing, manufacturing and selling components and accessories related to the electronics and telecommunications industry

Despite a 12% fall in turnover the company increased profits due to the mix of business and the further improved control of costs

STRATEGY

The company is part of the Huber+Suhner group whose main objectives are to continue growing in the markets that we operate in, to be in the top position in three core technologies – Fibre Optics, Cable and Radio Frequency and to introduce new innovative products that assist growth in those markets and in our core technologies

In the UK the company supports the Group strategy by operating in the same markets and introducing, promoting and selling the new products in the UK

RESEARCH AND DEVELOPMENT

New product research and development is only carried out by our parent company The Huber+Suhner group is committed to introducing new products and continues to invest in research and development

FUTURE OUTLOOK

We have, again, this year seen customers move their manufacturing out of the UK to lower cost economies The low growth in the market is counteracted by expanding our customer base and adding more value to our market offering We expect to have a modest increase in our sales in 2007 but at lower margins

PRINCIPAL RISKS AND UNCERTAINTIES

The key business risks and uncertainties affecting the company relate to international competition, changes in product technology and the threat of further off-shoring

Risk policy

The company is exposed to many financial risks but the main ones are price risk, credit risk, exchange rate risk and liquidity risk Company management monitors these risks regularly and makes every effort to minimise negative influences on the company's financial results

Price risk

The company monitors the market prices and takes action to adjust prices where there are movements in commodity prices Large material purchases are selectively hedged by the parent company

Credit risk

The credit risk for sales debtors from trading is limited by the market spread of customers In addition, these risks are reduced by regular checks of creditworthiness, withdrawing credit for slow payers and requesting cash with the order

Exchange rate risk

The company is exposed directly to two currencies, the Euro and the US Dollar, from sales to customers and a limited amount of local purchases The risk is minimised by including currency fluctuation clauses in contracts The parent company uses foreign exchange forward contracts and options to control foreign currency risks for incoming and outgoing payments at group level

Liquidity risk

Where necessary the company negotiates local facilities with UK financial institutions In addition, the group will give liquidity support if required

KEY PERFORMANCE INDICATORS ("KPIs")

Given the trading nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the company

DIRECTORS AND THEIR INTERESTS

The directors, who served through the year, are as follows

P Harris
U Kaufmann
B Schwarzer

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

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 company'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

Regular meetings are held between local management and employees to allow a free flow of information and ideas

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the 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) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing those financial statements, 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements 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

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

Each person 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 auditors are unaware, and

Each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the annual general meeting

By order of the Board

P Harris
Director

4th April 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HUBER+SUHNER (UK) LIMITED

We have audited the financial statements of Huber+Suhner (UK) Ltd for the year ended 31 December 2006, which comprise the profit and loss account, the balance sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Milton Keynes

4th April 2007

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2006

	Notes	2006 £000	2005 £000
TURNOVER	3	13,571	15,347
Cost of sales		9,387	11,656
GROSS PROFIT		4,184	3,691
Distribution costs		311	467
Administrative expenses		2,368	2,615
		2,679	3,082
OPERATING PROFIT	4	1,505	609
Interest payable and similar charges	7	(8)	(39)
Interest receivable and similar income	8	82	125
		74	86
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,579	695
Tax on profit on ordinary activities	9	-	-
RETAINED PROFIT FOR THE FINANCIAL YEAR		1,579	695
Retained profit/(loss) brought forward		58	(637)
RETAINED PROFIT CARRIED FORWARD		1,637	58

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses have been presented

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above, and their historical cost equivalents

All operations are continuing

BALANCE SHEET
at 31 December 2006

	Notes	2006 £000	2005 £000
FIXED ASSETS			
Tangible assets	11	1,902	2,093
CURRENT ASSETS			
Stocks	12	1,216	1,061
Debtors	13	2,275	2,154
Cash		2,707	1,532
		6,198	4,747
CREDITORS: amounts falling due within one year	14	2,463	2,482
NET CURRENT ASSETS		3,735	2,265
TOTAL ASSETS LESS CURRENT LIABILITIES		5,637	4,358
CREDITORS: amounts falling due after more than one year	15	-	300
NET ASSETS		5,637	4,058
CAPITAL AND RESERVES			
Called up share capital	17	4,000	4,000
Profit and loss account		1,637	58
EQUITY SHAREHOLDER'S FUNDS	18	5,637	4,058

The financial statements on pages 7 to 15 were approved by the board of directors on 4th April 2007 and were signed on its behalf by

P Harris
Director

NOTES TO THE ACCOUNTS
at 31 December 2006

1 ACCOUNTING POLICIES

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

Turnover
Turnover, which is stated net of Value Added Tax, represents amounts invoiced to third parties and is recognised on despatch of goods and on completion of services

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

Freehold buildings	-	2%
Plant and equipment	-	10% - 20%
Motor vehicles	-	25%
Computer equipment	-	33%

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

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

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

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

NOTES TO THE ACCOUNTS
at 31 December 2006

2 CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES

The company is a wholly owned subsidiary of Huber + Suhner AG and is included in the consolidated financial statements of Huber + Suhner AG, which are publicly available Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996) The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing the related party transactions with entities that are part of the Huber + Suhner AG group or investees of the Huber + Suhner AG group

3 TURNOVER

An analysis of turnover by destination is as follows

	2006	*2005*
	£000	*£000*
United Kingdom	13,183	15,102
Switzerland	209	158
Rest of the World	179	87
	13,571	15,347

4 OPERATING PROFIT

	2006	*2005*
	£000	*£000*
This is stated after charging		
Auditors' remuneration - audit services	25	33
- non audit services	10	8
Depreciation of owned tangible fixed assets (note 11)	237	152
Exchange loss/(gain)	13	(2)
Operating lease rentals - plant and machinery	6	7
Operating lease rentals – other	47	94

5 DIRECTORS' EMOLUMENTS

The directors receive no remuneration from the company in their capacity as UK statutory directors

NOTES TO THE ACCOUNTS
at 31 December 2006

6 STAFF COSTS

	2006	*2005*
	£000	*£000*
Wages and salaries	2,429	2,665
Social security costs	254	280
Other pension costs	99	110
	2,782	3,055

The average monthly number of employees during the year was as follows

	2006	*2005*
	No.	*No*
Manufacturing	28	29
Office and management	51	56
	79	85

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2006	*2005*
	£000	*£000*
Interest charged by parent company	8	39

8 INTEREST RECEIVABLE AND SIMILAR INCOME

	2006	*2005*
	£000	*£000*
Other interest	82	35
Reversal of prior years Parent Company interest charge	-	90
	82	125

NOTES TO THE ACCOUNTS
at 31 December 2006

9 TAX ON LOSS ON ORDINARY ACTIVITIES

	2006	*2005*
	£000	***£000***
UK Corporation tax at 30% on profits for the period	-	-
Total current tax (note 10)	-	-
Deferred tax (credit) for the period (note 16)	-	-
	-	-

10 FACTORS AFFECTING TAX CHARGE FOR THE PERIOD

	2006	*2005*
	£000	***£000***
Profit/(loss) on ordinary activities before tax	1,579	695
Tax at 30% thereon	(474)	(208)
Effects of		
Income not chargeable/(expenses not deductible) for tax purposes	16	(73)
Capital allowances in excess of depreciation	(53)	145
Decrease in tax losses	511	121
Movement in short term timing differences	-	15
Total current tax	-	-

NOTES TO THE ACCOUNTS
at 31 December 2006

11 TANGIBLE FIXED ASSETS

	Land *£000*	*Freehold buildings* *£000*	*Plant and equipment* *£000*	*Motor vehicles* *£000*	*Total* *£000*
Cost					
At 1 January 2006	198	2,180	810	21	3,209
Additions	-	-	46	-	46
Disposals	-	-	(32)	-	(32)
At 31 December 2006	198	2,180	824	21	3,223
Depreciation					
At 1 January 2006	-	598	497	21	1,116
Provided during the year	-	121	116	-	237
Disposals	-	-	(32)	-	(32)
At 31 December 2006	-	719	581	21	1,321
Net book value					
At 31 December 2006	198	1,461	243	-	1,902
At 31 December 2005	198	1,582	313	-	2,093

12 STOCKS

	2006 *£000*	*2005* *£000*
Raw materials	281	220
Work in progress	4	22
Finished goods	931	819
	1,216	1,061

13 DEBTORS

	2006 *£000*	*2005* *£000*
Trade debtors	2,165	2,052
Amounts owed by parent and fellow subsidiary undertakings	73	57
Prepayments and accrued income	37	45
	2,275	2,154

NOTES TO THE ACCOUNTS
at 31 December 2006

14 CREDITORS: amounts falling due within one year

	2006	*2005*
	£000	*£000*
Trade creditors	440	255
Amounts owed to parent and fellow subsidiary undertakings	1,077	1,118
Other taxes and social security costs	198	112
Other creditors	415	26
Accruals and deferred income	333	971
	2,463	2,482

Amounts due to group undertakings are unsecured, interest free and repayable on demand

15 CREDITORS: amounts falling due after more than one year

	2006	*2005*
	£000	*£000*
Amounts owed to parent and fellow subsidiary undertakings	-	300

16 DEFERRED TAXATION

The unrecognised amounts of deferred taxation for timing differences	*2006*	*2005*
	£000	*£000*
Excess of Depreciation over Capital Allowances	445	252
Short term timing differences	8	12
Losses	882	1457
Total potential asset	1,335	1,721

A deferred tax asset has not been recognised in respect of timing differences relating to accelerated capital allowances, revenue and capital losses and short term timing differences as there is insufficient evidence that the asset will be recovered The amount of the asset not recognised is £1,335,392 (2005 £1,720,934) The asset would be recovered if the company made sufficient suitable taxable profits and with respect to capital losses if suitable chargeable gains are made

The above amounts have been calculated at a tax rate of 30% Proposed changes to tax legislation announced recently indicate a reduction in the tax rate in 2008 to 28% Such a reduction would decrease the above unrecognised asset by approximately £90,000

17 SHARE CAPITAL

	Authorised, allotted, called up and fully paid	
	2006	*2005*
	£000	*£000*
4,000,000 Ordinary shares of £1 each	4,000	4,000

NOTES TO THE ACCOUNTS
at 31 December 2006

18 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	Share capital £000	*Profit & loss £000*	*Total £000*
Balance as at 1 January 2006	4,000	58	4,058
Profit for the year	-	1,579	1,579
Balance at 31 December 2006	4,000	1,637	5,637

19 OTHER FINANCIAL COMMITMENTS

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

	Land and buildings		**Other**	
	2006 *£000*	**2005** *£000*	**2006** *£000*	**2005** *£000*
Operating leases which expire				
Within one year	-	-	8	-
Within two to five years	-	-	31	49

20 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

	2006 £000	*2005 £000*
Pension costs	99	110

21 PARENT UNDERTAKING

The parent undertaking and controlling entity 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 Tumbelenstrasse 20, CH-8330 Pfaffikon ZH, Switzerland The largest and smallest group of undertakings for which group financial statements have been drawn up is that headed by Huber + Suhner AG