HUBER + SUHNER (UK) LIMITED

Company Number: 902205

Annual Report and Financial Statements

for the year ended 31 December 2007

Registered No 902205

OFFICERS & PROFESSIONAL ADVISERS

DIRECTORS

P Harris — Chairman
U Kaufmann
B Schwarzer

SECRETARY

J Biggs

INDEPENDENT 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 FOR THE YEAR ENDED 31 DECEMBER 2007

The directors submit their annual report and audited financial statements for the year ended 31 December 2007

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,321,000 (2006 – £1,579,000) The directors do not recommend the payment of a dividend (2006 - £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

As forecast in 2006, the turnover was up 11% but gross margins fell from 30 8% to 25 1% due to the mix of business and the need to invest in new manufacturing capacity

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 expect conditions in the Communications market to be difficult while Transportation is expected to be buoyant The trend of customers moving their manufacturing out of the UK to lower cost economies continues though at a lower rate than previous years We expect to have a single digit percentage increase in our sales in 2008 with a small increase in profitability

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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

STATEMENT OF DIRECTORS RESPONSIBILITIES (continued)

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, and
- 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

6th May 2008

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 2007, 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 2007 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

8 May 2008

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2007

	Notes	*2007* *£000*	*2006* *£000*
TURNOVER	*3*	15,104	13,571
Cost of sales		(11,320)	(9,387)
GROSS PROFIT		3,784	4,184
Distribution costs		(324)	(311)
Administrative expenses		(2,619)	(2,368)
		(2,943)	(2,679)
OPERATING PROFIT	*4*	841	1,505
Interest payable and similar charges	*7*	-	(8)
Interest receivable and similar income	8	143	82
		143	74
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		984	1,579
Tax credit on profit on ordinary activities	*9*	337	-
RETAINED PROFIT FOR THE FINANCIAL YEAR		1,321	1,579
Retained profit brought forward		1,637	58
RETAINED PROFIT CARRIED FORWARD		2,958	1,637

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 financial year stated above, and their historical cost equivalents

All operations are continuing

BALANCE SHEET
as at 31 December 2007

	Notes	*2007* *£000*	*2006* *£000*
FIXED ASSETS			
Tangible assets	*11*	1,867	1,902
CURRENT ASSETS			
Stocks	*12*	1,438	1,216
Debtors	*13*	2,818	2,275
Cash		3,052	2,707
		7,308	6,198
CREDITORS: amounts falling due within one year	*14*	(2,217)	(2,463)
NET CURRENT ASSETS		5,091	3,735
TOTAL ASSETS LESS CURRENT LIABILITIES		6,958	5,637
NET ASSETS		6,958	5,637
CAPITAL AND RESERVES			
Called up share capital	*16*	4,000	4,000
Profit and loss account	*17*	2,958	1,637
TOTAL SHAREHOLDER'S FUNDS	*17*	6,958	5,637

The financial statements on pages 6 to 14 were approved by the board of directors on 6th May 2008 and were signed on its behalf by

P Harris
Director

NOTES TO THE ACCOUNTS
for the year ended 31 December 2007

1 ACCOUNTING POLICIES

Accounting convention
The financial statements are prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and 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
for the year ended 31 December 2007 (continued)

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

	2007 *£000*	*2006* *£000*
United Kingdom	14,734	13,183
Switzerland	120	209
Rest of the World	250	179
	15,104	13,571

4 OPERATING PROFIT

	2007 *£000*	*2006* *£000*
This is stated after charging		
Auditors' remuneration - audit services	34	25
- non audit services (taxation)	7	10
Depreciation of owned tangible fixed assets (Note 11)	124	237
Exchange (gain)/loss	(1)	13
Operating lease rentals – land and buildings	16	-
Operating lease rentals - plant and machinery	7	6
Operating lease rentals – other	35	47

5 DIRECTORS' EMOLUMENTS

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

NOTES TO THE ACCOUNTS
for the year ended 31 December 2007 (continued)

6 STAFF COSTS

	2007	*2006*
	£000	*£000*
Wages and salaries	2,758	2,429
Social security costs	278	254
Other pension costs (Note 19)	100	99
	3,136	2,782

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

	2007	*2006*
	No.	*No.*
Manufacturing	39	28
Office and management	53	51
	92	79

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2007	*2006*
	£000	*£000*
Interest charged by parent company	-	8

8 INTEREST RECEIVABLE AND SIMILAR INCOME

	2007	*2006*
	£000	*£000*
Other interest	143	82

9 TAX CREDIT ON PROFIT ON ORDINARY ACTIVITIES

	2007	*2006*
	£000	*£000*
UK Corporation tax at 30% on profits for the year	-	-
Total current tax (Note 10)	-	-
Deferred tax (credit) for the year (Note 15)	(337)	-
	(337)	-

NOTES TO THE ACCOUNTS
for the year ended 31 December 2007 (continued)

10 FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower (2006 lower) than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007 *£000*	*2006* *£000*
Profit on ordinary activities before tax	984	1,579
Tax at 30% thereon	(295)	(474)
Effects of		
(Expenses not deductible)/income not chargeable for tax purposes	(17)	16
Capital allowances in excess of/(less than) depreciation	111	(53)
Decrease in tax losses	198	511
Movement in short term timing differences	3	-
Total current tax	-	-

11 TANGIBLE FIXED ASSETS

	Land *£000*	*Freehold buildings* *£000*	*Plant and equipment* *£000*	*Motor vehicles* *£000*	*Total* *£000*
Cost					
At 1 January 2007	198	2,180	824	21	3,223
Additions	-	-	77	12	89
Disposals	-	-	-	(21)	(21)
At 31 December 2007	198	2,180	901	12	3,291
Depreciation					
At 1 January 2007	-	719	581	21	1,321
Provided during the year	-	42	80	2	124
Disposals	-	-	-	(21)	(21)
At 31 December 2007	-	761	661	2	1,424
Net book value					
At 31 December 2007	198	1,419	240	10	1,867
At 31 December 2006	198	1,461	243	-	1,902

12 STOCKS

	2007 *£000*	*2006* *£000*
Raw materials	397	281
Work in progress	121	4
Finished goods	920	931
	1,438	1,216

NOTES TO THE ACCOUNTS
for the year ended 31 December 2007 (continued)

13 DEBTORS

	2007 *£000*	*2006* *£000*
Trade debtors	2,264	2,165
Amounts owed by parent and fellow subsidiary undertakings	63	73
Prepayments and accrued income	154	37
Deferred tax (Note 15)	337	-
	2,818	2,275

Total debtors fall due within one year, with the exception of deferred tax amounting to approximately £15,000 falling due after more than one year

14 CREDITORS: amounts falling due within one year

	2007 *£000*	*2006* *£000*
Trade creditors	371	440
Amounts owed to parent and fellow subsidiary undertakings	857	1,077
Other taxes and social security costs	303	198
Other creditors	255	415
Accruals and deferred income	431	333
	2,217	2,463

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

15 DEFERRED TAXATION

Treatment of deferred tax arising from timing differences

	2007 *£000* Recognised in Accounts	*2007* *£000* Unrecognised	*2006* *£000* Recognised in Accounts	*2006* *£000* Unrecognised
Excess of Depreciation over Capital Allowances	-	125	-	445
Short term timing differences	-	-	-	8
Capital Losses	-	194	-	208
Other Losses	337	258	-	674
Total deferred/potential asset	337	577	-	1,335

NOTES TO THE ACCOUNTS
for the year ended 31 December 2007 (continued)

15 DEFERRED TAXATION (continued)

A deferred tax asset has not been recognised in respect of timing differences relating to accelerated capital allowances, capital losses, short term timing differences and a proportion of the revenue losses as there is insufficient evidence that the asset will be recovered 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 28% (2006 - 30%)

The movement in the deferred tax balance in the year can be summarised as follows

	2007 *£000*	*2006* *£000*
Balance at 1 January	-	-
Credited/ (charged) to the profit and loss account (Note 9)	337	-
Balance at 31 December	337	-

16 CALLED UP SHARE CAPITAL

	Authorised, allotted, called up and fully paid	
	2007 *£000*	*2006* *£000*
4,000,000 Ordinary shares of £1 each	4,000	4,000

17 RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDER'S FUNDS AND RESERVES

	Share capital *£000*	*Profit & loss* *£000*	*Total* *£000*
Balance as at 1 January 2007	4,000	1,637	5,637
Profit for the year	-	1,321	1,321
Balance at 31 December 2007	4,000	2,958	6,958

NOTES TO THE ACCOUNTS
for the year ended 31 December 2007 (continued)

18 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	
	2007	2006	2007	2006
	£000	*£000*	*£000*	*£000*
Operating leases which expire				
Within one year	-	-	9	8
Within two to five years	43	-	18	31
	43	-	27	39

19 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

	2007	*2006*
	£000	*£000*
Pension costs	100	99

There are no accrued or prepaid pensions costs at the year end

20 IMMEDIATE AND ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate and ultimate 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 Pfäffikon 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