HUBER + SUHNER (UK) LIMITED

Report and Financial Statements

31 December 2003

Deloitte & Touche LLP
St Albans

Registered No. 902205

OFFICERS & PROFESSIONAL ADVISERS

DIRECTORS

P Harris   Chairman
U Kaufmann
P N Taylor

SECRETARY

C Bygrave

AUDITORS

Deloitte & Touche LLP
St Albans

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 2003.

RESULTS AND DIVIDENDS
The loss for the year, after taxation, amounted to £3,564,000 (2002 – loss £4,267,000). The directors do not recommend the payment of a dividend (2002 - £nil).

PRINCIPAL ACTIVITY AND 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 decreased by 34% as OEM's transferred their manufacturing bases to lower cost manufacturing areas and due to a downturn in telecommunications spend. However, 2004 is expected to see the company return to stability with a return to breakeven.

DIRECTORS AND THEIR INTERESTS
The directors who served through the year, are as follows:

M Cappis	Resigned 30th April 2003
P Harris	
U Kaufmann	Appointed 30th April 2003
P N Taylor	

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.

POST BALANCE SHEET EVENT
After the year-end, a claim was lodged by a customer against the company in respect of work done as part of a major contract. It has been estimated that the maximum liability should the action be successful is of the order of £1.5m. The company is in negotiations with the customer regarding the claim. See note 22 for further information.

AUDITORS
On 1 August 2003, Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company gave its consent to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 and accordingly the accounts have been signed in the name of Deloitte & Touche LLP.

By order of the Board.

C Bygrave
Secretary

6 May 2004

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; 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.

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 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 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 of the state of the company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
St Albans

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PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2003

	Notes	*2003 £000*	*2002 £000*
TURNOVER	*2*	16,826	25,401
Cost of sales		14,831	23,484
GROSS PROFIT		1,995	1,917
Distribution costs		849	398
Administrative expenses		4,434	5,240
		5,283	5,638
OPERATING LOSS	*3*	(3,288)	(3,721)
Interest payable	*6*	276	561
		276	561
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,564)	(4,282)
Tax on loss on ordinary activities	*7*	-	(15)
RETAINED LOSS FOR THE FINANCIAL YEAR		(3,564)	(4,267)
Retained profit brought forward		766	5,033
RETAINED (LOSS)/PROFIT CARRIED FORWARD		(2,798)	766

There are no recognised gains or losses other than the loss for the year.
Accordingly no Statement of Total Recognised Gains and Losses has been prepared.
All operations are continuing.

BALANCE SHEET
at 31 December 2003

	Notes	*2003* *£000*	*2002* *£000*
FIXED ASSETS			
Tangible assets	*9*	4,700	7,212
CURRENT ASSETS			
Stocks	*10*	1,185	3,587
Debtors	*11*	3,695	5,941
		4,880	9,528
CREDITORS: amounts falling due within one year	*12*	4,878	7,228
NET CURRENT ASSETS		2	2,300
TOTAL ASSETS LESS CURRENT LIABILITIES		4,702	9,512
CREDITORS: amounts falling due after more than one year	*13*	3,500	4,746
		1,202	4,766
CAPITAL AND RESERVES			
Called up share capital	*17*	4,000	4,000
Profit and loss account		(2,798)	766
EQUITY SHAREHOLDERS' FUNDS	*18*	1,202	4,766

These accounts were approved on behalf of the Board on
And signed by

P Harris
Director

6 May 2004

NOTES TO THE ACCOUNTS
at 31 December 2003

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 of each asset evenly over its expected useful life, as follows:

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 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 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 2003

1 **ACCOUNTING POLICIES (continued)**

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 not 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:

	2003	*2002*
	£000	*£000*
United Kingdom	15,573	19,976
Switzerland	821	2,249
Rest of the World	432	3,176
	16,826	25,401

3 **OPERATING LOSS**

	2003	*2002*
	£000	*£000*
This is stated after charging:		
Auditors' remuneration - audit services	32	28
- non audit services	62	64
Depreciation of owned tangible fixed assets (note 9)	553	882
Depreciation of fixed assets held under finance leases (note 9)	14	113
Exchange loss	63	113
Operating lease rentals - Land and buildings	50	50

NOTES TO THE ACCOUNTS
at 31 December 2003

4 DIRECTORS' EMOLUMENTS

	2003	*2002*
	£000	***£000***
Emoluments	113	190
Pension contributions in respect of one director (2002 : 1)	10	16
	123	206

The highest paid director received £112,031 (2002:£189,000) and accrued pension contributions of £10,400 (2002: £16,000).

5 STAFF COSTS

	2003	*2002*
	£000	***£000***
Wages and salaries	3,454	5,321
Social security costs	453	649
Other pension costs	131	298
	4,038	6,268

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

	2003	*2002*
	No.	***No.***
Manufacturing	54	188
Office and management	88	107
	142	295

6 INTEREST PAYABLE

	2003	*2002*
	£000	***£000***
Bank loans and overdraft	107	382
Interest charged by parent company	169	166
Finance charges payable under finance leases	-	13
	276	561

NOTES TO THE ACCOUNTS
at 31 December 2003

7 TAX ON LOSS ON ORDINARY ACTIVITIES

	2003	*2002*
	£000	*£000*
UK Corporation tax at 30% on profits for the period	-	-
Total current tax (note 8)	-	-
Deferred tax (credit) for the period (note 16)	-	(15)
	-	(15)

8 FACTORS AFFECTING TAX CHARGE FOR THE PERIOD

	2003	*2002*
	£000	*£000*
Loss on ordinary activities before tax	(3,564)	(4,282)
Tax at 30% thereon:	1,069	1,285
Effects of:		
Expenses not deductible for tax purposes	(44)	(55)
Capital allowances in excess of depreciation	(229)	(215)
Increase in tax losses	(856)	(843)
Movement in short term timing differences	(43)	(174)
Chargeable gains	119	(4)
Profit on disposal of non-qualifying assets	(16)	6
Total current tax	-	-

NOTES TO THE ACCOUNTS
at 31 December 2003

9 TANGIBLE FIXED ASSETS

	Land *£000*	*Freehold buildings* *£000*	*Plant and equipment* *£000*	*Motor vehicles* *£000*	*Total* *£000*
Cost:					
At 1 January 2003	398	5,747	8,901	272	15,318
Additions	-	-	21	-	21
Disposals	(100)	(1,830)	(5,714)	(221)	(7,865)
At 31 December 2003	298	3,917	3,208	51	7,474
Depreciation:					
At 1 January 2003	-	826	7,026	254	8,106
Provided during the year	-	99	454	14	567
Disposals	-	(266)	(5,416)	(217)	(5,899)
At 31 December 2003	-	659	2,064	51	2,774
Net book value:					
At 31 December 2003	298	3,258	1,144	-	4,700
At 31 December 2002	398	4,921	1,875	18	7,212

At 31 December 2003 motor vehicles with a net book value of £nil (2002 : £18,000) were held under finance leases.

10 STOCKS

	2003 *£000*	*2002* *£000*
Raw materials and work in progress	387	1,408
Finished goods	798	2,179
	1,185	3,587

11 DEBTORS

	2003 *£000*	*2002* *£000*
Trade debtors	3,240	4,315
Amounts owed by parent and fellow subsidiary undertakings	419	1,534
Other debtors	2	30
Prepayments and accrued income	34	62
	3,695	5,941

NOTES TO THE ACCOUNTS
at 31 December 2003

12 CREDITORS: amounts falling due within one year

	2003	*2002*
	£000	*£000*
Bank overdraft	2,377	3,716
Current instalments due on bank loans (note 14)	-	180
Obligations under finance leases and hire purchase contracts (note 15)	1	1
Trade creditors	172	307
Amounts owed to parent and fellow subsidiary undertakings	1,303	1,501
Other taxes and social security costs	320	200
Other creditors	303	237
Accruals	402	1,086
	4,878	7,228

The bank overdraft is secured by a legal charge over the land and buildings.

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

	2003	*2002*
	£000	*£000*
Bank loans (note 14)	-	1,246
Amounts owed to parent and fellow subsidiary undertakings	3,500	3,500
	3,500	4,746

NOTES TO THE ACCOUNTS
at 31 December 2003

14 LOANS

	2003	*2002*
	£000	*£000*
Bank loans not wholly repayable within five years	-	797
Other loans wholly repayable within five years	-	629
	-	1,426

Amounts repayable by instalments:

Within one year	-	180
Within one and two years	-	149
Within two to five years	-	480
In more than five years	-	617
	-	1,426

The bank loan was secured by a legal charge over the land and buildings.
The loan was repayable by monthly instalments and carried interest at 1.5% above Lloyds Bank Plc base rate.

15 OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	2003	*2002*
	£000	*£000*
Amounts payable:		
Within one year	1	1
	1	1

Finance leases and hire purchase contracts are analysed as follows:

	2003	*2002*
	£000	*£000*
Current obligations	1	1
Non-current obligations	-	-
	1	1

NOTES TO THE ACCOUNTS
at 31 December 2003

16 DEFERRED TAXATION

Deferred taxation has been fully provided for as follows:

	2003	*2002*
	£000	*£000*
Balance at 1 January	-	15
Current year movements	-	(15)
Adjustment to prior years	-	-
Balance at 31 December	-	-

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 £2,115,980. 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.

17 SHARE CAPITAL

	Authorised, allotted, called up and fully paid	
	2003	*2002*
	£000	*£000*
4,000,000 Ordinary shares of £1 each	4,000	4,000

18 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital	*Profit & loss*	*Total*
	£000	*£000*	*£000*
Balance at 31 December 2002	4,000	766	4,766
Loss for the year	-	(3,564)	(3,564)
Balance at 31 December 2003	4,000	(2,798)	1,202

NOTES TO THE ACCOUNTS
at 31 December 2003

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		Plant and machinery	
	2003	2002	2003	2002
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
Within two to five years	33	50	136	-

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.

	2003	*2002*
	£000	*£000*
Premiums paid to this scheme amounted to	131	298

21 RELATED PARTY TRANSACTIONS

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

22 POST BALANCE SHEET EVENT

A claim has been lodged by a customer against the company in respect of work done as part of a major contract. The claim calls for compensation for alleged damage to the customer's business. It has been estimated that the maximum liability should the action be successful is of the order of £1.5m. The company will strongly defend the claim and accordingly no provision has been made in the financial statements.

23 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 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.