

Company Registration No. 1399905

DEUTSCH UK
(formerly Deutsch Limited)

Report and Financial Statements

31 July 2006

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REPORT AND FINANCIAL STATEMENTS 2006

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REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P C Farmer
A J E Wake
J M Painvin
C Farman
G Jachmich

SECRETARY

A J E Wake

REGISTERED OFFICE

4 Stanier Road
St Leonards-on-Sea
East Sussex

BANKERS

HSBC Bank plc

SOLICITORS

DMH

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Crawley

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the 30 week period ended 31 July 2006

ACTIVITIES

The company's principal activity is the design, manufacture and sale of accessories and components for use mainly in the electronics, telecommunications, transportation and aerospace industries

CHANGE OF NAME, STATUS AND ACCOUNTING REFERENCE DATE

On 26th July 2006 the company's name was changed from Deutsch Limited to Deutsch UK. The company's status and was changed from a limited company to an unlimited company on 25th July 2006

During the year the company changed its accounting reference date to 31 July from 31 December. Accordingly, the attached financial statements have been drawn up for the 30 week period ended 31 July 2006

BUSINESS REVIEW

As part of the Deutsch Group Sale to Wendel Investissement SA, the shareholders of Deutsch UK on the 22 June 2006 sold their entire holding to Deutsch GB Limited

The directors are satisfied with the operating performance of the company with orders placed by customers above budget, 21% ahead of the first 7 months of 2005. Sales compared to this time last year are 5% up with strong distribution activity reflecting in a slightly lower gross margin percentage

General administration costs are in line with expectations however one off costs relating to the sale transaction have resulted in a small operating loss

Taking account of the sale transaction the company agreed with the trustees a new schedule of contributions for the defined benefit scheme which included a significant up front payment covering the majority of the FRS17 assessed deficit as at the 31 December 2005 which was financed by a mixture of trading reserves and an inter group loan

The directors remain confident about the future and under the new ownership are very positive about the potential synergistic opportunities as a global group

Financial Risk management Objectives and Policies

The company is exposed through the normal course of trading to certain financial risks such as price risk, liquidity risk, credit risk and cash flow risk. The company does not use derivative financial instruments for speculative purposes

Price Risk

Commodity price risks are not seen as a significant issue

Liquidity Risk

The company has historically generated cash which has been used to fund ongoing operations and investments in the future. Under the new group financing, short term debt finance is available

Credit Risk

The company's principal financial assets are bank balances, trade and other receivables. The company's credit risk is primarily attributable to its trade receivables which are presented in the balance sheet net of allowances for doubtful receivables

The company has no significant concentration of credit risk with exposure spread over a large number of customers

Cash flow Risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The majority of this risk is naturally hedged

DIRECTORS' REPORT (continued)

RESULTS AND DIVIDENDS

The company made a loss after taxation of £872,000 (2005 – profit of £4,079,000) for the period. A dividend in specie of £5,537,000 was paid during the year through the transfer of the company's investment in Compagnie Deutsch to the immediate parent, Deutsch GB Limited (2005 – two interim dividends of 13.02 and 15.48 pence per ordinary share and a final dividend of 15.13 pence per share, totalling 42.63 pence per ordinary share, and amounting to £2,749,000 in total). The position of the company at the end of the year is shown in the balance sheet on page 10.

CANCELLATION OF SHARES

On 26 July 2006, the company passed a special resolution to cancel 3,000,000 ordinary shares of £1 each, representing 48% of the company's called up share capital. The purpose of the reduction was to increase the company's distributable reserves to enable the company to pay a dividend in specie as described above.

DIRECTORS

The directors who served during the period (except where otherwise stated) were as follows:

| | | |
|-------------|--------------------------|----------|
| D J Burt | (resigned 22 June 2006) | |
| C Deutsch | (resigned 22 June 2006) | |
| P C Farmer | | |
| A J E Wake | | |
| L H Gunter | (resigned 22 June 2006) | |
| J M Painvin | | (France) |
| R L Bramham | (resigned 22 June 2006) | |
| D Ambrose | (resigned 22 June 2006) | |
| C Farman | (appointed 22 June 2006) | |
| G Jachmich | (appointed 22 June 2006) | |

None of the directors at the period end had any beneficial interest in the shares of the company or any other UK group company.

EMPLOYEES

Employees are provided with information about the performance of the company and various consultative arrangements exist whereby their views can be taken into account. The company's policy is to endeavour to integrate disabled persons with other employees, taking into account their particular aptitudes and abilities.

Deutsch UK is an Equal Opportunities employer and is committed to a policy of treating all job applicants equally, and applying objective criteria based on qualifications, experience and ability when assessing selection and employment of staff. Deutsch UK takes all reasonable steps to ensure it does not discriminate on any basis either directly or indirectly, during the recruitment process or at any stage of employment.

CHARITABLE DONATIONS

During the period the company made donations totalling £4,127 (2005 - £8,068) for charitable purposes. Of these donations, £1,777 (2005 - £2,218) were to medical charities and £2,350 (2005 - £5,850) to other local and national charitable organisations.

DIRECTORS' REPORT (continued)

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself 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 s234ZA of the Companies Act 1985

Deloitte & Touche LLP will not be seeking re-election as auditor to the company. The directors will be appointing PriceWaterhouseCoopers LLP in their place and a resolution to appoint PriceWaterhouseCoopers LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board



A J E Wake

Secretary

6th February 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the report including the financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. 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 accounting standards have been followed, and
- prepare the financial statements 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DEUTSCH UK (formerly Deutsch Limited)

We have audited the financial statements (the "financial statements") of Deutsch UK (formerly Deutsch Limited) for the 30 week period ended 31 July 2006 which comprise the profit and loss account, balance sheet, the statement of total recognised gains and losses, the combined reconciliation of movements in shareholders' funds and statement of movements on reserves, and the related notes 1 to 22. 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

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).

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 other transactions is not disclosed.

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

Basis of audit opinion

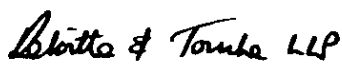
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, 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 as at 31 July 2006 and of its loss for the period from 1 January 2006 to 31 July 2006,
- 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.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Crawley, United Kingdom

6 February 2007

PROFIT AND LOSS ACCOUNT
30 week period ended 31 July 2006

| | Note | 30 week period ended 31 July 2006 £'000 | Year ended 31 December 2005 £'000 |
|--|------|---|---|
| TURNOVER – continuing operations | 1,2 | 15,888 | 26,036 |
| Cost of sales | | <u>11,510</u> | <u>18,360</u> |
| GROSS PROFIT | | 4,378 | 7,676 |
| Distribution costs | | 1,801 | 2,960 |
| Administrative expenses (including 2006 exceptional costs disclosed in note 3 and in 2005 an exceptional credit of £150,000) | 5 | <u>3,074</u> | <u>1,485</u> |
| OPERATING (LOSS)/PROFIT – continuing operations | | (497) | 3,231 |
| Profit on disposal of Relay division | 5 | <u>-</u> | <u>500</u> |
| | | (497) | 3,731 |
| Income from shares in associated company | | - | 1,004 |
| Interest receivable and similar income | | 40 | 80 |
| Interest payable and similar charges | 4 | <u>(60)</u> | <u>(206)</u> |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 5 | (517) | 4,609 |
| Tax charge on (loss)/profit on ordinary activities | 6 | <u>(355)</u> | <u>(530)</u> |
| (LOSS)/PROFIT FOR THE FINANCIAL PERIOD/YEAR | | <u><u>(872)</u></u> | <u><u>4,079</u></u> |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
30 week period ended 31 July 2006

| | Note | 30 week period ended 31 July 2006 £'000 | Year ended 31 December 2005 £'000 |
|---|------|---|---|
| (Loss)/Profit for the financial period/year | | (872) | 4,079 |
| Actuarial gain / (loss) relating to the pension scheme | 21 | 490 | (921) |
| UK deferred tax attributable to actuarial gain / (loss) | | (147) | 276 |
| UK deferred tax attributable to pension contributions | | (1,419) | (118) |
| UK current tax attributable to pension contributions | | 412 | 118 |
| UK deferred tax asset attributable to pension contributions | | 672 | - |
| Total recognised gains and losses relating to the year | | <u>(864)</u> | <u>3,434</u> |

**COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
AND STATEMENT OF MOVEMENTS ON RESERVES**
30 week period ended 31 July 2006

| | Issued share capital £'000 | Share premium account £'000 | Profit and loss account £'000 | Period 2006 Total £'000 | Year 2005 Total £'000 |
|---|---|--|--|--|--|
| At the beginning of the period/year | 6,300 | 6,832 | 2,092 | 15,224 | 14,659 |
| (Loss)/Profit for the financial period/year | - | - | (872) | (872) | 4,079 |
| Capital contribution | - | - | 1,835 | 1,835 | - |
| Actuarial gain / (loss) relating to the pension scheme | - | - | 490 | 490 | (921) |
| UK deferred tax attributable to actuarial (loss)/gain | - | - | (147) | (147) | 274 |
| Cancelled shares | (3,000) | - | 3,000 | - | - |
| UK deferred tax attributable to special pension contributions to statement of total recognised gains and losses | - | - | (1,419) | (1,419) | (118) |
| UK current tax attributable to pension contributions | - | - | 412 | 412 | - |
| UK deferred tax asset attributable to special pension contributions | - | - | 672 | 672 | - |
| Dividends paid (note 7) | - | - | (5,537) | (5,537) | (2,749) |
| At the end of the period/year | <u>3,300</u> | <u>6,832</u> | <u>526</u> | <u>10,658</u> | <u>15,224</u> |

| | 31 July 2006 £'000 | 31 December 2005 £'000 |
|---|-----------------------------------|---------------------------------------|
| Pension reserve | | |
| Profit and loss reserve, excluding pension liability | 979 | 6,169 |
| Amount relating to defined benefit pension scheme liability, net of related deferred tax | <u>(453)</u> | <u>(4,077)</u> |
| Profit and loss reserve | <u>526</u> | <u>2,092</u> |

BALANCE SHEET
31 July 2006

| | Note | 31 July 2006 £'000 | 31 December 2005 £'000 |
|--|------|--------------------------|------------------------------|
| FIXED ASSETS | | | |
| Tangible assets | 8 | 4,880 | 5,047 |
| Investments | 9 | 1 | 5,538 |
| | | <u>4,881</u> | <u>10,585</u> |
| CURRENT ASSETS | | | |
| Stocks | 10 | 6,307 | 5,560 |
| Debtors | 11 | 6,530 | 5,701 |
| Cash at bank and in hand | 12 | 1,211 | 1,790 |
| | | <u>14,048</u> | <u>13,051</u> |
| CREDITORS: amounts falling due within one year | | | |
| Trade creditors | | 1,140 | 907 |
| Amounts owed to | | | |
| fellow subsidiary undertakings | 19 | 1,630 | 797 |
| associated undertaking | 19 | - | 76 |
| Other creditors including taxation and social security | 13 | 708 | 1,141 |
| Accruals and deferred income | | 965 | 1,156 |
| | | <u>4,443</u> | <u>4,077</u> |
| NET CURRENT ASSETS | | <u>9,605</u> | <u>8,974</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>14,486</u> | <u>19,559</u> |
| CREDITORS: amounts falling due after more than one year | | | |
| Amounts due to fellow subsidiary | 14 | (3,375) | - |
| PROVISIONS FOR LIABILITIES | 15 | - | (258) |
| NET ASSETS EXCLUDING PENSION LIABILITY | | <u>11,111</u> | <u>19,301</u> |
| NET PENSION LIABILITY | 21 | <u>(453)</u> | <u>(4,077)</u> |
| NET ASSETS INCLUDING PENSION LIABILITY | | <u>10,658</u> | <u>15,224</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 16 | 3,300 | 6,300 |
| Share premium account | | 6,832 | 6,832 |
| Profit and loss account | | 526 | 2,092 |
| TOTAL SHAREHOLDERS' FUNDS | | <u>10,658</u> | <u>15,224</u> |

These financial statements were approved by the Board of Directors on 6 February 2007

Signed on behalf of the Board of Directors



Director

NOTES TO THE ACCOUNTS
30 week period ended 31 July 2006

1. ACCOUNTING POLICIES

The accounts are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been consistently applied throughout the current and previous periods.

During the year the company changed its accounting reference date to 31 July from 31 December. Accordingly, the directors have prepared the financial statements for the period from 1 January 2006 to 31 July 2006. The comparative figures cover the year ended 31 December 2006.

Exemption from preparing group accounts

The company is exempt from the requirement to prepare group accounts under s 228 of the Companies Act 1985 on the basis that it had a parent company which is incorporated within the EU which in itself prepares group accounts that incorporate the results of the company.

Accounting convention

The accounts are prepared under the historical cost convention.

Turnover

Turnover represents the invoiced value of goods despatched to customers after discounts and the exclusion of value added tax.

Research and development expenditure

Research and development expenditure is written off in the period in which it is incurred.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

| | |
|----------------------------------|---|
| Freehold buildings | Over 50 years |
| Leasehold improvements | 5% per annum or the term of the lease (whichever shorter) |
| Motor vehicles | 20% per annum |
| Plant & machinery | 12.5% - 33.3% per annum |
| Fixtures, fittings and equipment | 12.5% - 33.3% per annum |

Investments

Investments held as fixed assets are stated at cost less any provision necessary to reflect an impairment. Current asset investments are stated at the lower of cost and net realisable value.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads.

Deferred taxation

Deferred taxation is provided in full on timing differences which 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 exchange

Transactions denominated in foreign currency are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. All translation differences are dealt with in the profit and loss account.

NOTES TO THE ACCOUNTS
30 week period ended 31 July 2006

1. ACCOUNTING POLICIES (continued)

Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term

Pension costs

The company continues to apply the full provisions of FRS17 as follows

For defined benefit schemes the amounts charged to operating result are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability net of the related deferred tax is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2. TURNOVER

| | 30 week period ended 31 July 2006 £'000 | Year ended 31 December 2005 £'000 |
|--|--|--|
| Geographical analysis of turnover by destination: | | |
| United Kingdom | 10,979 | 18,167 |
| Other countries within the European Union | 2,500 | 4,348 |
| Rest of the world | 2,409 | 3,521 |
| | <hr/> 15,888 <hr/> | <hr/> 26,036 <hr/> |

NOTES TO THE ACCOUNTS
30 week period ended 31 July 2006

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | 30 week period ended 31 July 2006 £'000 | Year ended 31 December 2005 £'000 |
|--|---|--|
| Directors' emoluments | | |
| Aggregate emoluments | 2,072 | 703 |
| Directors' pension contributions | 36 | 72 |
| | <u>2,108</u> | <u>775</u> |
| Directors' remuneration in the current period includes exceptional amounts paid on the sale of the company on 22 June 2006 | | |
| | No. | No. |
| Number of directors who are active members of a defined contribution scheme | 5 | 5 |
| | <u>5</u> | <u>5</u> |
| | £'000 | £'000 |
| Aggregate remuneration of the highest paid director | 1,567 | 229 |
| | <u>1,567</u> | <u>229</u> |
| | £'000 | £'000 |
| Contributions payable to pension scheme in respect of highest paid director | 12 | 26 |
| | <u>12</u> | <u>26</u> |
| | No. | No. |
| Average number of persons employed (including directors) | | |
| Production | 261 | 250 |
| Sales and distribution | 20 | 20 |
| Administration | 13 | 13 |
| | <u>294</u> | <u>283</u> |
| | £'000 | £'000 |
| Staff costs during the period/year (including directors) | | |
| Wages and salaries | 5,833 | 6,783 |
| Social security costs | 598 | 661 |
| Other pension costs and life assurance costs (note 21) | 227 | 377 |
| | <u>6,658</u> | <u>7,821</u> |

NOTES TO THE ACCOUNTS
30 week period ended 31 July 2006

4. INTEREST PAYABLE AND SIMILAR CHARGES

| | 30 week period ended 31 July 2006 £'000 | Year ended 31 December 2005 £'000 |
|--|---|--|
| Other interest payable | 16 | - |
| Other finance charges – net negative return on pension scheme (see note 21) | 44 | 206 |
| | <u>60</u> | <u>206</u> |

5. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 30 week period ended 31 July 2006 £'000 | Year ended 31 December 2005 £'000 |
|--|---|--|
| (Loss)/profit on ordinary activities before taxation is after charging/(crediting): | | |
| Rentals under operating leases | | |
| Other operating leases | 116 | 273 |
| Foreign exchange loss/(gain) on trading activities | 85 | (136) |
| Loss on sale of fixed assets | - | 1 |
| Depreciation and other amounts written off tangible fixed assets | | |
| Owned assets | 653 | 1,086 |
| Research and development expenditure | 475 | 700 |
| Auditors' remuneration | 67 | 38 |
| Other amounts paid to auditors - tax services | 50 | 36 |
| Exceptional items - profit on sale of Relay division | - | (500) |
| - release of contamination provision no longer required | - | (150) |
| | <u></u> | <u></u> |

Exceptional costs during the current year are disclosed in note 3

NOTES TO THE ACCOUNTS

30 week period ended 31 July 2006

6. TAX CHARGE ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

| | 30 week period ended 31 July 2006 £'000 | Year ended 31 December 2005 £'000 |
|---|---|--|
| United Kingdom corporation tax at 30% (2005 - 30%) | 447 | 1412 |
| Adjustment in respect of prior years | (94) | (835) |
| | <u>353</u> | <u>577</u> |
| Deferred tax credit on FRS17 cost (reflected in pension liability) | (13) | (62) |
| Deferred tax charge (note 15) | 15 | 15 |
| | <u>355</u> | <u>530</u> |
| Total tax charge on (loss)/profit on ordinary activities | 355 | 530 |
| Amounts credited to STRGL and included in deferred tax asset: | | |
| UK deferred tax attributable to special pension contributions (note 15) | (672) | - |
| | <u>(672)</u> | <u>-</u> |
| Total tax credited to STRGL and included in deferred tax asset | (672) | - |

The tax assessed for the year is lower (2005 lower) than that resulting from applying the standard rate of corporation tax in the UK 30% (2005 30%) The differences are explained below

| | 30 week period ended 31 July 2006 % | Year ended 31 December 2005 % |
|--|---|--|
| Standard tax rate for period as a percentage of profits | 30 | 30 |
| Effects of | | |
| Expenses not deductible for tax purposes | (7) | - |
| Foreign dividends received subject to tax | - | 9 |
| Capital allowances in excess of depreciation | (4) | - |
| Pension costs | 213 | 2 |
| Profit on intra-group trading | - | 3 |
| Chargeable gain | (117) | - |
| Other short term timing differences | (205) | - |
| Double tax relief | 2 | (6) |
| Profit on disposal of relay division | - | (5) |
| Adjustments to tax charge in respect of previous periods | 20 | (22) |
| | <u>68</u> | <u>11</u> |
| Total current tax charge for period/year | 68 | 11 |

7. DIVIDENDS PAID

| | 30 week period ended 31 July 2006 £'000 | Year ended 31 December 2005 £'000 |
|---|---|--|
| Dividend in specie (2005 - £nil) | 5,537 | - |
| Interim dividends paid of £nil (2005 - 13 02 and 15 48 pence per ordinary share and final dividend paid of 15 13 pence, total 43 63 pence per ordinary share) | - | 2,749 |
| | <u>-</u> | <u>2,749</u> |

During the year the company's investment in Compagnie Deutsch was transferred to the immediate parent company at carrying value, Deutsch GB Limited by means of a dividend in specie

NOTES TO THE ACCOUNTS
30 week period ended 31 July 2006

8. TANGIBLE FIXED ASSETS

| | Freehold property £'000 | Leasehold improve- ments £'000 | Motor vehicles £'000 | Plant & machinery £'000 | Fixtures, fittings, and equipment £'000 | Total £'000 |
|---------------------------------|-------------------------------|---|----------------------------|-------------------------------|---|----------------|
| Cost | | | | | | |
| At 1 January 2006 | 777 | 1,697 | 331 | 12,974 | 3,134 | 18,913 |
| Additions | - | - | 87 | 349 | 50 | 486 |
| Disposals | - | - | - | (7) | (1) | (8) |
| At 31 July 2006 | <u>777</u> | <u>1,697</u> | <u>418</u> | <u>13,316</u> | <u>3,183</u> | <u>19,391</u> |
| Accumulated depreciation | | | | | | |
| At 1 January 2006 | 69 | 1,187 | 134 | 9,957 | 2,519 | 13,866 |
| Charge for the period | 7 | 35 | 43 | 468 | 100 | 653 |
| Disposals | - | - | - | (7) | (1) | (8) |
| At 31 July 2006 | <u>76</u> | <u>1,222</u> | <u>177</u> | <u>10,418</u> | <u>2,618</u> | <u>14,511</u> |
| Net book value | | | | | | |
| At 31 July 2006 | <u>701</u> | <u>475</u> | <u>241</u> | <u>2,898</u> | <u>565</u> | <u>4,880</u> |
| At 31 December 2005 | <u>708</u> | <u>510</u> | <u>197</u> | <u>3,017</u> | <u>615</u> | <u>5,047</u> |

9. INVESTMENTS

| | £'000 |
|-------------------|----------|
| At 1 January 2006 | 5,538 |
| Disposal | (5,537) |
| At 31 July 2006 | <u>1</u> |

On 26 July 2006 the company's investment in Campagnie Deutsch was transferred to the immediate parent company, Deutsch GB Limited at book value by way of a dividend in specie (note 7)

| | 31 July 2006 £'000 | 31 December 2005 £'000 |
|------------------------|--------------------------|------------------------------|
| Subsidiary undertaking | 1 | 1 |
| Associated undertaking | - | 5,537 |
| | <u>1</u> | <u>5,538</u> |

NOTES TO THE ACCOUNTS
30 week period ended 31 July 2006

10. STOCKS

| | 31 July 2006 £'000 | 31 December 2005 £'000 |
|-------------------------------|--------------------------|------------------------------|
| Raw materials and consumables | 140 | 175 |
| Work-in-progress | 4,246 | 3,599 |
| Finished goods | 1,921 | 1,786 |
| | <u>6,307</u> | <u>5,560</u> |

11. DEBTORS

| | 31 July 2006 £'000 | 31 December 2005 £'000 |
|---|--------------------------|------------------------------|
| Trade debtors | 4,011 | 3,492 |
| Amounts owed by related companies (note 19) | 17 | 11 |
| Amounts owed by subsidiary undertaking (note 19) | 1,153 | 1,379 |
| Amounts owed by associated undertakings (note 19) | - | 205 |
| Amounts owed by fellow subsidiaries (note 19) | 747 | 305 |
| Other debtors | 66 | 166 |
| Prepayments and accrued income | 137 | 143 |
| Deferred tax asset (note 15) | 399 | - |
| | <u>6,530</u> | <u>5,701</u> |

12. INVESTMENTS – DEPOSITS AND CASH AT BANK AND IN HAND

| | 31 July 2006 £'000 | 31 December 2005 £'000 |
|--------------------------|--------------------------|------------------------------|
| Cash at bank and in hand | | |
| Current account | 1,211 | 1,790 |
| | <u>1,211</u> | <u>1,790</u> |

13. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

| | 31 July 2006 £'000 | 31 December 2005 £'000 |
|------------------------------|--------------------------|------------------------------|
| This heading includes | | |
| Taxation and social security | 653 | 1,116 |
| | <u>653</u> | <u>1,116</u> |

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

On 22 June 2006 the company was loaned £3,500,000 by its fellow subsidiary, Catania. The loan falls due on 22 June 2018 with no payments being due before that date. Interest accrues on the loan balance at 5.5% per annum. Since the loan was provided, the Company has repaid £125,000 during the period.

NOTES TO THE ACCOUNTS
30 week period ended 31 July 2006

15. DEFERRED TAXATION

| Deferred taxation | 2006 | 2005 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Balance at 1 January | 258 | 243 |
| Profit and loss account (credit) / charge (note 6) | (657) | 15 |
| Balance at 31 July/31 December | <u>(399)</u> | <u>258</u> |

Provision for deferred tax consists of the following amounts

| | 31 July | 31 December |
|--|----------------|--------------------|
| | 2006 | 2005 |
| | £'000 | £'000 |
| Capital allowances in excess of depreciation | 273 | 305 |
| Short term timing differences | (672) | (47) |
| | <u>(399)</u> | <u>258</u> |

A deferred tax asset has not been recognised in respect of timing differences relating to special pension contributions and eligible unrelieved foreign tax, as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £663,000 (2005 – £720,000, which also includes timing differences relating to capital losses). The asset would be recovered if there were suitable taxable profits against which the losses could be offset.

16. CALLED UP SHARE CAPITAL

| | 31 July | 31 December |
|---|----------------|--------------------|
| | 2006 | 2005 |
| | £'000 | £'000 |
| Authorised | | |
| 7,500,000 ordinary shares of £1 each (2004 – 7,500,000) | <u>7,500</u> | <u>7,500</u> |
| Called up, allotted and fully paid | | |
| 3,299,602 ordinary shares of £1 each (2004 – 6,299,602) | <u>3,300</u> | <u>6,300</u> |

On 26 July 2006, the company passed a special resolution to cancel 3,000,000 ordinary shares of £1 each.

17. OPERATING LEASE COMMITMENTS

At 31 July 2006, company was committed to making the following payments during the next year in respect of operating leases:

| | Land and | Land and |
|-----------------------------|------------------|--------------------|
| | Buildings | Buildings |
| | 31 July | 31 December |
| | 2006 | 2005 |
| | £'000 | £'000 |
| Leases which expire: | | |
| Between 1 and 2 years | 54 | 144 |
| Between 2 and 5 years | 16 | 20 |
| After 5 years | 17 | 17 |
| | <u>87</u> | <u>181</u> |

NOTES TO THE ACCOUNTS
30 week period ended 31 July 2006

18. CAPITAL COMMITMENTS

The company is committed to the following capital expenditure

| | 31 July 2006 £'000 | 31 December 2005 £'000 |
|-----------------------------|--------------------------|------------------------------|
| Contracted but not provided | 81 | 129 |

19. RELATED PARTY TRANSACTIONS

During the period the company traded with its related parties as disclosed below

| | Sales | | Purchases | | Balance at year end | | | |
|--|---|--|---|--|--------------------------|-------------------------|--------------------------|-------------------------|
| | Period ended 31 July 2006 £'000 | Year ended 31 Dec 2005 £'000 | Period ended 31 July 2006 £'000 | Year ended 31 Dec 2005 £'000 | Debtor | | Creditor | |
| | | | | | 31 July 2006 £'000 | 31 Dec 2005 £'000 | 31 July 2006 £'000 | 31 Dec 2005 £'000 |
| Fellow subsidiaries | | | | | | | | |
| Deutsch ECD | 14 | 33 | 555 | 1,123 | 5 | 18 | 56 | 201 |
| Deutsch IPD | - | - | 3,164 | 4,857 | - | - | 1,069 | 594 |
| Deutsch EIS | 487 | 929 | 39 | 187 | 184 | 267 | 13 | 1 |
| Deutsch Corporate | - | - | 47 | 4 | - | - | 47 | - |
| Deutsch Finance | - | - | - | - | - | - | 3,375 | - |
| Nihon-Deutsch | 8 | 11 | 24 | 31 | 4 | 2 | 3 | 1 |
| Deutsch Adv Int | - | - | 2 | - | - | - | 2 | - |
| Deutsch ECM | 17 | 52 | 63 | - | - | 18 | 8 | - |
| Associate until 26th July 2006 | | | | | | | | |
| Deutsch Relays | - | - | 75 | 112 | - | - | 9 | 16 |
| Cie Deutsch | 239 | 378 | 818 | 2,004 | 40 | 31 | 406 | 56 |
| Deutsch Orleans | - | - | 10 | 35 | - | - | 6 | 3 |
| CKB | - | - | 13 | 21 | - | - | 5 | - |
| Cie Deutsch GMBH | 1,665 | 2,435 | 19 | 26 | 421 | 146 | 6 | 1 |
| Deutsch Italia | 211 | 440 | - | - | 93 | 28 | - | - |
| Related company | | | | | | | | |
| Servo & Electronic Sales Ltd | 29 | 56 | - | 1 | 17 | 11 | - | - |
| Subsidiary | | | | | | | | |
| Servo Interconnect | 1,574 | 2,496 | - | - | 1,153 | 1,379 | - | - |
| | <u>4,244</u> | <u>6,830</u> | <u>4,829</u> | <u>8,401</u> | <u>1,917</u> | <u>1,900</u> | <u>5,005</u> | <u>873</u> |

The transactions were of a normal trading nature (sales/purchases), with the exceptions of the loan from Catania and the loan to Servo Interconnect, and were conducted on an arms length basis

20. PARENT COMPANY UNDERTAKING AND CONTROLLING ENTITY

The company's immediate parent company is Deutsch GB Limited, a company incorporated in the UK. Accounts for this company are available from Companies House, Crown Way, Maundy, Cardiff CF4 3UZ

The company's ultimate parent company is Wendel Investissement, a company incorporated in France

NOTES TO THE ACCOUNTS
30 week period ended 31 July 2006

21. PENSION COSTS

The company operated a defined benefit pension scheme in the UK. The defined benefit scheme was closed to existing members on 30 November 2002 who were then invited to join the defined contribution scheme which has been in operation since 1996. A full actuarial valuation of the defined benefit pension scheme was carried out at 1 April 2003 and updated to 31 July 2006 by a qualified actuary. The major assumptions used for the actuarial valuation under FRS 17 were:

| | 2006 | 2005 | 2004 |
|---|------|------|------|
| Rate of increase in salaries | N/A | N/A | N/A |
| Rate of increase in pensions in payment | 3.0% | 3.0% | 2.9% |
| Discount rate | 5.1% | 4.7% | 5.2% |
| Inflation assumption | 3.3% | 3.0% | 2.9% |

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at each balance sheet date were:

| | 2006 % | 2006 £'000 | 2005 % | 2005 £'000 | 2004 % | 2004 £'000 |
|--|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Equities | 8.25 | 6,090 | 8.25 | 5,081 | 8.5 | 3,897 |
| Bonds | 4.82 | 5,509 | 4.3 | 5,616 | 4.6 | 5,113 |
| Other | 4.30 | 5,409 | 4.0 | 1,539 | 4.0 | 1,516 |
| Total fair value of assets | | 17,008 | | 12,236 | | 10,526 |
| Present value of scheme liabilities | | (17,656) | | (18,061) | | (15,620) |
| Deficit in the scheme | | (648) | | (5,825) | | (5,094) |
| Related deferred tax asset | | 195 | | 1,748 | | 1,528 |
| Net pension liability | | (453) | | (4,077) | | (3,566) |

Since the scheme closed contributions will be paid as and when required following subsequent actuarial valuations.

Analysis of the amount charged to net finance charges (note 4)

| | 30 week period ended 31 July 2006 £'000 | Year ended 31 December 2005 £'000 |
|--|---|--|
| Expected return on pension scheme assets | 404 | 597 |
| Interest on pension scheme liabilities | (448) | (803) |
| | (44) | (206) |

NOTES TO THE ACCOUNTS
30 week period ended 31 July 2006

21. PENSION COSTS (continued)

Analysis of the actuarial gain/(loss) in the statement of total recognised gains and losses

| | 30 week period ended 31 July 2006 £'000 | Year ended 31 December 2005 £'000 |
|---|---|--|
| Actual return less expected return on pension scheme assets | (60) | 1,076 |
| Experience gains and losses arising on the scheme liabilities | (219) | (38) |
| Changes in assumptions underlying the present value of the scheme liabilities | 769 | (1,959) |
| | <u>490</u> | <u>(921)</u> |

The figures above are stated gross of any related deferred tax

Movement in gross deficit of the scheme during the year

| | 2006 £'000 | 2005 £'000 |
|-----------------------|---------------|----------------|
| At 1 January | (5,825) | (5,094) |
| Contributions | 4,731 | 396 |
| Net finance charge | (44) | (206) |
| Actuarial gain/(loss) | 490 | (921) |
| | <u>(648)</u> | <u>(5,825)</u> |

History of experience gains and losses

| | Period 2006 | Year 2005 | Year 2004 | Year 2003 | Year 2002 |
|---|----------------|--------------|--------------|--------------|--------------|
| Difference between the expected and actual return on scheme assets: | | | | | |
| Amount (£'000) | (60) | 1,076 | 362 | 459 | (1,566) |
| Percentage of scheme assets | 0% | 9% | 3% | 5% | 19% |
| Experience gains and losses on scheme liabilities: | | | | | |
| Amount (£'000) | (219) | (38) | 289 | 100 | (1,144) |
| Percentage of the present value of scheme liabilities | 1% | 0% | 2% | 1% | 9% |
| Total actuarial (loss)/gain in the statement of total recognised gains and losses: | | | | | |
| Amount (£'000) | 490 | (921) | 18 | (835) | (3,421) |
| Percentage of the present value of scheme liabilities | 3% | 5% | 0% | 6% | 26% |

The company also operates a defined contribution scheme for which the pension cost charge for the period amounted to £210,000 (2005 - £390,000)

NOTES TO THE ACCOUNTS
30 week period ended 31 July 2006

22. CONTINGENT LIABILITIES

The company has guarantees dated 25 May 1993 and 1 May 1997 in favour of HMRC Deferment Section for £100,000 (2005 - £100,000) and £8,000 (2005 - £200,000) respectively