Grant Thornton

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Financial Statements
Bourns Limited

For the year ended 31 December 2010

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Company No. 3016831

Company information

Company registration number:	3016831
Registered office:	Manton Lane BEDFORD MK41 7BJ
Directors:	Gordon Bourns William P McKenna John Jeffrey Halenda
Secretary:	Robin Michael Patterson
Bankers:	HSBC Bank plc 12 Allhallows BEDFORD MK40 1LR
Solicitors:	Hewitsons 7 Spencer Parade NORTHAMPTON NN1 5AB
Auditor:	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Grant Thornton House Kettering Parkway KETTERING Northants NN15 6XR

Index to the financial statements

Report of the Directors

The directors present their report together with financial statements for the year ended 31 December 2010

Principal activities

The company is principally engaged in the provision of power semiconductor products to support the telephone system protection, electronic lighting and general purpose power markets, in particular the manufacture and supply of voltage protection components

Business review

The profit for the year after taxation amounted to £6,440,000 (2009 - £2,145,000) Details of dividends declared can be found in the financial statements

Key performance indicators

Financial

1 Turnover is a key measure of the company's performance Sales for the year were £22 9m (2009 - £13 6m)

2 Overall profitability is a key indicator of the company's performance The profit before tax for the financial year was £6 8m (2009 - £1 7m)

3 Working capital management is seen as an important target for the business At the year end, the net current asset level was £13 1m (2009 - £6 6m)

4 Net worth is seen as an important target for the business At the year end the level of shareholders' funds was £15 4m (2009 - £8 9m)

Non-financial

Bourns Limited has seen a growing introduction of diode products into their production processes at the Wafer Fab and with their sub-contractor partners, most of which have been on 100mm wafers, which slows the trend to conversion on to 125mm wafers This has added to the production levels which have been at their highest levels ever for the traditional TSP product range

Product lead times have been stretched beyond the traditional 12 week period for lengthy periods in 2010, but on-time delivery remains one of the company's KPIs, and has exceeded 90% for much of the year

Wafer Fab yields have continued to improve again during 2010, although the introduction of diode products, with their more fragile silicon, has not helped in this instance, and pressure continues to be applied on the sub-contractor locations to improve too

Significant numbers of front line staff have been trained under BITS (Business Improvement Techniques), leading to systems and production improvements generating improvements in productivity and profitability, and continuing the company's commitment to lean manufacturing

Directors

The present membership of the Board is set out below All directors served throughout the year

Gordon Bourns
William P McKenna
John Jeffrey Halenda

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the Directors 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 that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgments 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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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.

In so far as each of the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including currency risk, credit risk and liquidity risk

Currency risk
The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates The company's sales and cost of sales are denominated principally in US Dollars which provides a natural hedge The company also uses forward contracts to hedge its US Dollar exposure

Credit risk
The company's principal financial assets are bank balances and cash

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

Liquidity risk
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses intra group debt financing as necessary

Research and development

The company undertakes research and development with the objective of improving the product range and increasing the profitability of the operations

Charitable and political contributions

During the year, the company made no political or charitable donations (2009 £nil)

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006

ON BEHALF OF THE BOARD

W. P. McKenna

W P McKenna
Director

21 JUNE 2011

Grant Thornton

Report of the independent auditor to the members of Bourns Limited

(registered number 3016831)

We have audited the financial statements of Bourns Limited for the year ended 31 December 2010 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Grant Thornton

Report of the independent auditor to the members of Bourns Limited

(registered number 3016831)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP.

John Corbishley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Kettering

4 JULY 2011

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

The principal accounting policies of the company have remained unchanged from the previous year and are set out below

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts

Revenue recognition

The company sells only to associated companies, and recognises its revenue at the point of shipment of goods

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment Depreciation is calculated to write down the cost of all tangible fixed assets by equal annual instalments over their expected useful lives The periods generally applicable are

Leasehold improvements	over 10 years
Plant and machinery	
Di-water effluent plant	over 15 years
Fixtures and fittings	over 3 years
Fabrication equipment	>£40,000 over 8 years
	<£40,000 over 4 years
Test equipment	over 6 years

Assets in the course of construction are not depreciated until they come into use

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable

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 and consumables	- standard purchase cost of direct materials
Work in progress and finished goods	- standard cost of direct materials and labour plus attributable overheads based on a forecast level of activity

Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal Provision is made for obsolete, slow-moving or defective items where appropriate

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date Deferred tax assets are recognised when it is more likely than not that they will be recovered Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date

Leased assets

All leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date All other exchange differences are dealt with through the profit and loss account

Retirement benefits

Defined contribution pension scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period

Research and development

Research and development expenditure is written off as incurred

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Profit and loss account

	Note	2010 £'000	2009 £'000
Turnover	1	**22,852**	13,641
Cost of sales		**(14,734)**	(11,584)
Gross profit		**8,118**	2,057
Other operating charges		**(1,327)**	(323)
Operating profit	20	**6,791**	1,734
Net interest	2	**42**	14
Profit on ordinary activities before taxation	1	**6,833**	1,748
Tax on profit on ordinary activities	4	**(393)**	397
Profit retained	12	**6,440**	2,145

There were no recognised gains or losses other than the profit for the financial year

All operations are classed as continuing

Balance sheet

	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	6	**2,290**	2,349
Current assets			
Stocks	7	**3,390**	2,745
Debtors	8	**4,677**	1,517
Cash at bank and in hand		**6,810**	3,455
		14,877	7,717
Creditors: amounts falling due within one year	9	**(1,807)**	(1,146)
Net current assets		**13,070**	6,571
Total assets less current liabilities		**15,360**	8,920
Capital and reserves			
Called up share capital	11	**2,000**	16,811
Profit and loss account	12	**13,360**	(7,891)
Shareholders' funds	13	**15,360**	8,920

The financial statements were approved by the Board of Directors and authorised for issue on 21 June 2011

They were signed on its behalf by

W. P. McKenna

W P McKenna
Director

Company registration number 3016831

The accompanying accounting policies and notes form part of these financial statements.

Cash flow statement

	Note	2010 £'000	2009 £'000
Net cash inflow from operating activities	20	**3,868**	2,155
Returns on investments and servicing of finance			
Interest received		**42**	14
Net cash inflow from returns on investments and servicing of finance		**42**	14
Taxation		**(98)**	(1)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(457)**	(89)
Net cash outflow from capital expenditure and financial investment		**(457)**	(89)
Increase in cash	20	**3,355**	2,079

Notes to the financial statements

1 Turnover and profit on ordinary activities before taxation

The turnover and profit before taxation are attributable to one activity, the provision of power semiconductor products to support the telephone system protection, electronic lighting and general purpose power markets, in particular the manufacture and supply of voltage protection components

The turnover by market destination is as follows

	2010 £'000	2009 £'000
Europe	3,114	2,090
United States of America	19,556	11,502
Rest of the world	182	49
	22,852	13,641
Turnover attributable to markets outside the UK	100%	100%

The profit on ordinary activities is stated after

	2010 £'000	2009 £'000
Auditor's remuneration		
Audit services	20	19
Non-audit services	3	3
Depreciation		
- Tangible fixed assets, owned	516	519
Research and development	524	458
Pension costs	163	163
Foreign exchange losses	193	124
Operating lease rentals	740	703

2 Net interest

	2010 £'000	2009 £'000
Bank interest receivable	42	14

3 Directors and employees

Staff costs during the year were as follows

	2010 £'000	2009 £'000
Wages and salaries	3,693	3,263
Social security costs	353	293
Pension costs	163	163
	4,209	3,719

The average number of employees of the company during the year was

	2010 Number	2009 Number
Manufacturing	107	98
Administration	13	13
	120	111

Directors' emoluments are incurred by the ultimate parent company and there are no related costs in the accounts of Bourns Limited

4 Tax on profit on ordinary activities

The tax charge/(credit) represents

	2010 £'000	2009 £'000
Corporation tax at 28% (2009 - 28%)	290	3
Total current tax	290	3
Deferred tax (note 10)		
Origination and reversal of timing differences	103	(400)
	393	(397)

Tax on profit on ordinary activities (continued)

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 28% (2009 - 28%) and is further analysed below·

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	**6,833**	1,748
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	**1,913**	489
Effect of		
Expenses not deductible for tax purposes	**4**	1
Differences between capital allowances and depreciation	**(115)**	(134)
Utilisation of tax losses	**(1,505)**	(358)
Other timing differences	**(7)**	5
	290	3

5 Dividends

Dividends on shares classed as equity

	2010 £'000	2009 £'000
Declared after the period (not recognised as liability)		
Equity dividend on ordinary shares	**8,675**	-

6 Tangible fixed assets

	Short leasehold buildings £'000	Plant and equipment £'000	Assets under construction £'000	Total £'000
Cost				
At 1 January 2010	266	16,904	19	17,189
Additions	-	322	135	457
Transfers	-	19	(19)	-
At 31 December 2010	266	17,245	135	17,646
Depreciation				
At 1 January 2010	51	14,789	-	14,840
Provided in the year	-	516	-	516
At 31 December 2010	51	15,305	-	15,356
Net book amount at 31 December 2010	**215**	**1,940**	**135**	**2,290**
Net book amount at 31 December 2009	215	2,115	19	2,349

7 Stocks

	2010 £'000	2009 £'000
Raw materials	241	141
Work in progress	2,567	1,632
Finished goods	582	972
	3,390	2,745

8 Debtors

	2010 £'000	2009 £'000
Amounts owed by group undertakings	3,785	635
Prepayments and accrued income	347	344
Other debtors	248	138
Deferred tax	297	400
	4,677	1,517

Included in the above are the following amounts which are due after more than one year

	2010 £'000	2009 £'000
Amounts owed by group undertakings	3,425	-
Other debtors	58	-
	3,483	-

9 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	608	425
Amounts owed to group undertakings	557	30
Social security and other taxes	144	84
Corporation tax	192	-
Accruals and deferred income	306	607
	1,807	1,146

10 Deferred taxation

Deferred tax recognised in the financial statements is set out below

	2010 £'000	2009 £'000
Losses	-	(400)
Fixed asset timing differences	(297)	-
Net deferred tax asset	(297)	(400)

11 Share capital

	2010 and 2009 £'000
Authorised	
20,565,000 ordinary shares of £1 each	20,565
Allotted, called up and fully paid	
16,811,213 ordinary shares of £1 each at 1 January 2010	16,811
Share capital reduction	(14,811)
2,000,000 ordinary shares of £1 each at 1 January 2010	2,000

On 17 November 2010, pursuant to Chapter 2 of Part 13 of the Companies Act 2006, the directors of the company proposed that the share capital of the company be reduced by £14 811 million by cancelling and extinguishing 14,811,213 ordinary shares of £1 each issued by the company to Bourns (UK) Acquisition Limited, and that the amount by which the share capital was reduced be credited to a distributable reserve of the company

12 Profit and loss account

	£'000
At 1 January 2010	(7,891)
Retained profit for the year	6,440
Distributable reserves arising from share capital reduction	14,811
At 31 December 2010	13,360

13 Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Profit for the financial year	**6,440**	2,145
Net increase in shareholders' funds	**6,440**	2,145
Shareholders' funds at 1 January 2010	**8,920**	6,775
Shareholders' funds at 31 December 2010	**15,360**	8,920

14 Capital commitments

Capital commitments are as follows

	2010 £'000	2009 £'000
Contracted but not provided for	**101**	242
Approved but not yet contracted for	**86**	64

15 Contingent liabilities

There were no other contingent liabilities at 31 December 2010 or 31 December 2009

The company hedges its US dollar exposure with forward contracts to sell dollars Contract one is to sell $166,000 per month for the three year period to 31 October 2011 The rate applicable is $1 66 £1 but only becomes a commitment if the dollar/sterling rate falls below $1 45 £1 Contract two is to sell $161,500 per month to 30 September 2012 The rate applicable is $1 615 £1 but only becomes a commitment if the dollar/sterling rate falls below $1 49 £1 Contract three is to sell $150,750 per month for the three year period to 10 June 2013 The rate applicable is $1 5075 £1 and there is no commitment arising on the movement of exchange rates

16 Retirement benefits

Defined contribution pension scheme
The company operates a defined contribution pension scheme The assets of the scheme are administered by trustees in a fund independent from those of the company

17 Leasing commitments

Operating lease payments amounting to £734,000 (2009 - £988,000) are due within one year The leases to which these amounts relate expire as follows

	2010		2009	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Within one year	-	1	-	99
Within two to five years	-	97	-	261
Over five years	636	-	628	-
	636	**98**	628	360

18 Related party transactions

		2010 £'000	2009 £'000
Product sales:			
Bourns Inc		**19,556**	11,502
Bourns AG		**3,114**	2,090
Bourns Xiamen Ltd		**182**	42
Trimpot Electronicas Ltd		-	7
		22,852	13,641

		2010 £'000	2009 £'000
Other services:			
Bourns Inc	Services	**86**	87
Bourns Electronics Taiwan Ltd	Services	**227**	205
Bourns AG		**2**	5
Bourns Xiamen Ltd		**4**	-
		319	297

Related party transactions (continued)

	Payable 2010 £'000	Payable 2009 £'000	Receivable 2010 £'000	Receivable 2009 £'000
Other services				
Year end balances				
Bourns Inc	530	4	-	410
Bourns AG	-	1	263	224
Bourns Xiamen Ltd	4	-	63	-
Bourns Electronics Ireland	-	-	1	1
Bourns Electronics Taiwan Ltd	23	25	-	-
Bourns (UK) Acquisition Ltd	-	-	3,455	-
Bourns Electronics UK	-	-	3	-
	557	30	3,785	635

The price charged for product sales was the normal market price in the case of each individual sale, less a small discount to allow for administration, shipping and miscellaneous selling costs

The price charged for services was the actual cost incurred for those services by the relevant group company plus a small mark up

The company provided a loan to Bourns (UK) Acquisition Ltd of £3,425,000 (2009 - £nil) during the year

19 Controlling related party

The parent undertaking of this company is Bourns UK Acquisition Limited by virtue of its 100% ownership of the share capital of this company

The ultimate parent undertaking of this company is Bourns Inc , incorporated in the USA

The ultimate controlling related parties of the company are the directors of Bourns Inc by virtue of their directorships

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Bourns Inc

20 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2010 £'000	2009 £'000
Operating profit	6,791	1,734
Depreciation	516	519
Increase in stocks	(645)	(227)
(Increase)/decrease in debtors	(3,263)	20
Increase in creditors	469	109
Net cash inflow from operating activities	3,868	2,155

Notes to the statement of cash flows (continued)

Reconciliation of net cash flow to movement in net funds

	2010 £'000	2009 £'000
Increase in cash in the year	**3,355**	2,079
Change in net funds	**3,355**	2,079
Net funds at 1 January 2010	**3,455**	1,376
Net funds at 31 December 2010	**6,810**	3,455

Analysis of changes in net debt

	At 1 January 2010 £'000	Cash flows £'000	At 31 December 2010 £'000
Net cash			
Cash in hand and at bank	3,455	3,355	**6,810**