

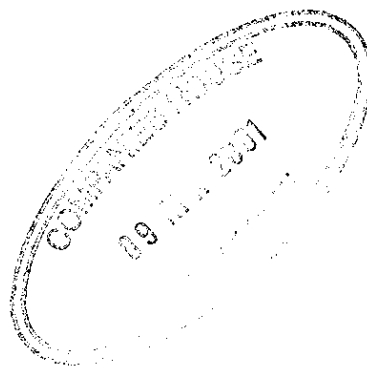


ARTHURANDERSEN

FCI Scotland Limited

Accounts for the year ended 31 December 1999 together with
the directors' and auditors' reports

Registered number: SC35282



Directors' report

For the year ended 31 December 1999

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report for the year ended 31 December 1999.

Principal activities and business review

The principal activity of the company during the year was sub-contracting for the electrical and electronics industries. The company has continued to develop new manufacturing processes and establish EDI trading links with customers and suppliers. The company is continually seeking to develop new markets in the UK and Europe whilst maintaining the current high standards of service and quality.

Results and dividends

The directors do not recommend the payment of a dividend (10 months ended 31 December 1998 - £Nil), and recommend that the profit for the year of £437,629 (10 months ended 31 December 1998 – £1,457,981) be transferred to reserves.

Directors

The directors of the company who served during the year were as follows:

Dr D B McKay

N J Clark

Directors' interests

The directors had no interest at any time in the year in the share capital of the company or any other group companies.

Directors' report (continued)

Directors' responsibilities

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 year. 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, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

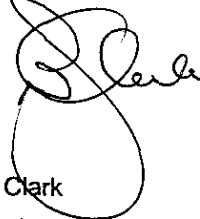
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

138/140 Coltness Street
Queenslie Industrial Estate
Glasgow
G33 4JD

By order of the Board,



N J Clark
Director

5 April 2001

To the Shareholders of FCI Scotland Limited:

We have audited the accounts on pages 4 to 16 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 7 to 9.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1999 and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

191 West George Street
Glasgow
G2 2LB

5 April 2001

Profit and loss account

For the year ended 31 December 1999

	Notes	1999 £	10 months ended 31 December 1998 £
Turnover – continuing operations	2	14,372,764	8,614,173
Cost of sales		(13,029,293)	(6,870,924)
Gross profit		1,343,471	1,743,249
Selling and administration expenses		(914,810)	(953,385)
Other operating income		3,792	3,722
Forgiveness of intercompany balances		-	1,067,638
Operating profit – continuing operations		432,453	1,861,224
Profit/(Loss) on sale of fixed assets		4,250	(6,288)
Profit before interest and taxation		436,703	1,854,936
Bank interest receivable		926	870
Profit on ordinary activities before taxation	3	437,629	1,855,806
Taxation on profit on ordinary activities	6	-	(397,825)
Retained profit for the year/period		437,629	1,457,981

The above results for both periods are from continuing operations.

A statement of movements in reserves is given in note 14.

The accompanying notes are an integral part of this profit and loss account.

Note of historical cost profits and losses

For the year ended 31 December 1999

	1999 £	10 months ended 31 December 1998 £
Reported profit on ordinary activities before taxation	437,629	1,855,806
Differences between historical cost depreciation charge and the actual depreciation charge for the period	99,400	82,820
Historical cost profit on ordinary activities before taxation	537,029	1,938,626
Historical cost profit for the period retained after taxation and dividends	537,029	1,540,801

Statement of total recognised gains and losses

For the year ended 31 December 1999

	1999 £	10 months ended 31 December 1998 £
Profit for the financial year	437,629	1,457,981
Unrealised surplus on revaluation of plant and equipment	-	496,919
Total recognised gains and losses relating to the year	437,629	1,954,900

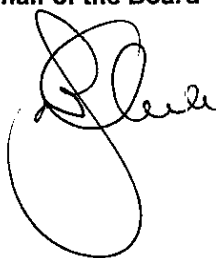
The accompanying notes are an integral part of this statement of total recognised gains and losses and this note of historical cost profits and losses.

Balance sheet

At 31 December 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible assets	7	<u>1,259,313</u>	<u>852,800</u>
Current assets			
Stocks	8	2,354,322	1,630,085
Debtors: Amounts falling due within one year	9	10,430,365	4,593,336
Cash at bank and in hand		<u>30,496</u>	<u>220,504</u>
		<u>12,815,183</u>	<u>6,443,925</u>
Creditors: Amounts falling due within one year	10	<u>(9,424,174)</u>	<u>(2,944,532)</u>
Net current assets		3,391,009	3,499,393
Total assets less current liabilities		4,650,322	4,352,193
Provisions for liabilities and charges	12	<u>(161,000)</u>	<u>(300,500)</u>
Net assets		<u>4,489,322</u>	<u>4,051,693</u>
Capital and reserves			
Called-up share capital – equity	13	120,000	120,000
Revaluation reserve	14	314,699	414,099
Profit and loss account	14	<u>4,054,623</u>	<u>3,517,594</u>
Equity shareholders' funds	14	<u>4,489,322</u>	<u>4,051,693</u>

Signed on behalf of the Board



N J Clark

5 April 2001

The accompanying notes are an integral part of this balance sheet.

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding period, is set out below.

a) *Basis of accounting*

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

b) *Tangible fixed assets*

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is calculated so as to write off the cost or valuation of tangible assets, excluding freehold land, in equal instalments over their useful lives from the date of purchase as follows:

Leasehold improvements	- the shorter of the remaining useful life and the unexpired lease period
Plant and machinery	- 5 years
Furniture and equipment	- 5 years
Motor vehicles	- 2 to 3 years

c) *Revaluation*

Fixed assets are revalued on a regular basis as determined by the directors with the surplus or deficit on book value being transferred to the revaluation reserve, except where a deficit is in excess of any previously recognised surplus. Where depreciation charges are increased following a revaluation an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

d) *Government grants*

Government grants relating to capital expenditure are treated as deferred income and are released to the profit and loss account over the expected useful life of the relevant asset by equal annual amounts.

Grants of a revenue nature are credited to income so as to match them with expenditure to which they relate.

e) *Stocks and work in progress*

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost consists of direct materials, labour, production overheads and other administration overheads attributable to production, based on normal levels 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 slow moving, obsolete or damaged items where appropriate.

1 Accounting policies (continued)

f) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation, which is provided using the liability method in respect of timing differences between profits as computed for tax purposes and profits as stated in the accounts is accounted for to the extent that, in the opinion of the directors, those differences will give rise to tax liabilities or reliefs in the foreseeable future.

The taxation liabilities of group undertakings are reduced wholly or in part by the surrender of trade losses by fellow group undertakings for which there is no charge.

g) Operating leases

Rentals under operating leases are charged against profit on a straight-line basis over the length of the lease.

h) Pension costs

The company is a participating company in the Kinloch Group Scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with an insurance company. Contributions are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit basis. Variations in pensions costs, which are identified as a result of actuarial valuations are amortised over the average expected remaining useful lives of employees in proportion to expected payroll costs. Differences between amounts paid and amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

i) Cash flow statement

As permitted by FRS 1 the company is exempt from the inclusion of a cash flow statement within its accounts, as the company is a wholly owned subsidiary undertaking of a parent whose group accounts include a consolidated cash flow statement and are available to the public.

j) Related party disclosures

As permitted by FRS 8, the company has taken advantage of the exemption from having to provide details of transactions with fellow group undertakings, as it is a fully owned subsidiary and the consolidated statements in which it is included are publicly available.

k) Research and development

Research and development is written off as incurred, except development expenditure where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the company is expected to benefit.

Notes to the accounts (continued)

1 Accounting policies (continued)

1) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

2 Turnover

Turnover represents the invoiced amount of goods sold and services provided during the period, stated net of value added tax.

All turnover is wholly attributable to the operations of sub-contracting for the electrical and electronic industries in the following geographical areas:

	1999 £	10 months ended 31 December 1998 £
United Kingdom	10,823,291	7,803,067
Europe	3,537,161	802,625
Rest of world	12,312	8,481
	<u>14,372,764</u>	<u>8,614,173</u>

3 Profit on ordinary activities before taxation

This is stated after charging/(crediting):

	1999 £	10 months ended 31 December 1998 £
Government grant release	(3,792)	(1,896)
Depreciation of owned tangible fixed assets	315,080	192,421
Auditors' remuneration:		
- audit services	24,000	24,000
- non audit services	-	10,000
Research and development	62,224	-
Operating lease rentals:		
- plant and machinery	28,740	10,173
- land and buildings	147,700	101,433
	<u>147,700</u>	<u>101,433</u>

Notes to the accounts (continued)

4 Directors' emoluments

	1999 £	10 months ended 31 December 1998 £
Emoluments	<u>270,675</u>	<u>297,380</u>

Pensions:

The number of directors who were members of pension schemes were as follows:

	1999 Number	10 months ended 31 December 1998 Number
Defined benefit schemes	<u>2</u>	<u>4</u>

Highest paid director:

The above amounts for remuneration include the following in respect of the highest paid director:

	1999 £	10 months ended 31 December 1998 £
Emoluments	<u>150,104</u>	<u>127,218</u>

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 1999 was £9,860 (10 months ended 31 December 1998: £8,024).

Notes to the accounts (continued)

5 Employee information

	1999	10 months ended 31 December 1998
	£	£
Wages and salaries	643,753	189,479
Social security costs	68,848	35,161
Other pension costs (see note 16)	28,884	10,503
	<u>741,485</u>	<u>235,143</u>

The average monthly number of employees was:

	1999	10 months ended 31 December 1998
	Number	Number
Administration	17	-
Production	44	26
	<u>61</u>	<u>26</u>

6 Taxation on profit on ordinary activities

	1999	10 months ended 31 December 1998
	£	£
Based on the profit for the year:		
- corporation tax at 31% (31 December 1998 – 31%)	-	32,185
Group relief payable	-	378,354
Amounts over provided in previous years:		
- corporation tax	-	(12,714)
	<u>-</u>	<u>397,825</u>

Corporation tax has been eliminated by the transfer of losses from another group company which have been surrendered under the group relief provisions, without any corresponding payment.

Notes to the accounts (continued)

7 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Furniture and equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 1999	144,864	1,965,025	391,472	114,246	2,615,607
Additions	130,013	314,270	277,310	-	721,593
Disposals	-	-	-	(18,019)	(18,019)
At 31 December 1999	274,877	2,279,295	668,782	96,227	3,319,181
Depreciation					
At 1 January 1999	137,004	1,388,652	145,916	91,235	1,762,807
Charge for the year	11,642	194,155	88,808	20,475	315,080
Disposals	-	-	-	(18,019)	(18,019)
At 31 December 1999	148,646	1,582,807	234,724	93,691	2,059,868
Net book value					
At 31 December 1999	126,231	696,488	434,058	2,536	1,259,313
At 31 December 1998	7,860	576,373	245,556	23,011	852,800

8 Stocks

	1999 £	1998 £
Raw materials and consumables	1,851,308	1,296,696
Work in progress	312,858	293,182
Finished goods	190,156	40,207
	<u>2,354,322</u>	<u>1,630,085</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

9 Debtors

	1999 £	1998 £
Amounts falling due within one year:		
Trade debtors	28,376	1,319,208
Amounts owed by group undertakings	10,047,435	3,080,953
Corporation Tax Recoverable	219,126	-
Other debtors	2,283	2,816
Prepayments and accrued income	133,145	190,359
	<u>10,430,365</u>	<u>4,593,336</u>

Notes to the accounts (continued)

10 Creditors: amounts falling due within one year

	1999 £	1998 £
Trade creditors	1,126,532	1,057,693
Amounts owed to fellow subsidiary undertakings	7,613,841	1,064,609
Current corporation tax	-	19,471
Other taxes and social security costs	62,806	258,105
Other creditors	65,088	61,352
Accruals	555,907	483,302
	<u>9,424,174</u>	<u>2,944,532</u>

Included in trade creditors are amounts totalling £300,296 (31 December 1998-£476,139) due in respect of goods for which title does not pass until payment is made.

11 Deferred taxation

No provision for deferred taxation at 31 December 1999 (31 December 1998 - £Nil) is required. There are no potential liabilities in respect of deferred taxation on timing differences.

12 Provision for liabilities and charges

	1999 £	1998 £
Building repairs provision		
Balance at beginning of period	300,500	139,500
Released unused	(139,500)	-
Provision transferred in from other group companies in period	-	161,000
Balance at end of period	<u>161,000</u>	<u>300,500</u>

The building repairs provision is in respect of the expected cost of carrying out certain contractually required repairs to the two leasehold properties on the expiration of the lease period.

13 Called up share capital

	1999 £	1998 £
Authorised, allotted, called up and fully paid 480,000 ordinary shares of 25p each	<u>120,000</u>	<u>120,000</u>

Notes to the accounts (continued)

14 Reconciliation of movements in shareholders' funds and movements on reserves

	Share capital	Profit and loss account	Revaluation Reserve	Shareholders' Funds
	£	£	£	£
At 1 January 1999	120,000	3,517,594	414,099	4,051,693
Profit for the year	-	437,629	-	437,629
Transfer between revaluation reserve and profit and loss reserve	-	99,400	(99,400)	-
At 31 December 1999	<u>120,000</u>	<u>4,054,623</u>	<u>314,699</u>	<u>4,489,322</u>

15 Financial and other commitments

(a) The company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	31 December 1999	31 December 1998	31 December 1999	31 December 1998
	£	£	£	£
Operating leases which expire:				
- within one year	-	-	609	20,157
- between two to five years	132,500	67,500	45,200	11,400
- after five years	-	65,000	-	-
	<u>132,500</u>	<u>132,500</u>	<u>45,809</u>	<u>31,557</u>

(b) Capital commitments of the company are as follows:

	31 December 1999	31 December 1998
	£	£
Contracted for but not provided for	<u>147,722</u>	<u>125,295</u>

(c) The Bank of Scotland has provided guarantees on behalf of the company to HM Customs and Excise amounting to £120,000. A bond and floating charge in favour of Bank of Scotland has been put in place in respect of the company's banking facilities.

16 Pensions

The company is a participating company in the Kinloch Group Scheme, a defined benefit pension scheme.

The pension cost for the year was assessed in accordance with the advice of a qualified actuary using the projected unit method. The latest actuarial assessment of the scheme was at 1 March 1998. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 8.5% per annum, that salary increases would average 6.5% per annum and that present and future pensions would increase at the rate of 4.5% per annum.

At the date of the latest actuarial valuation, the value of assets of the Kinloch Group Scheme was £893,000. The latest value of the assets of the scheme was sufficient to cover 115% of the benefits that had accrued to members, after allowing for future increases in earnings. The valuation at 1 March 1998 revealed a surplus of £115,000.

A prepayment of £117,324 (31 December 1998 - £144,324) is included in debtors being the excess of amounts funded over accumulated pension costs.

17 Employee share ownership trust

The net assets of the Kinloch Group Employee Benefit Trust attributable to FCI Scotland Limited amounting to £8,324 (31 December 1999 - £8,324) have been included in the net assets of the company in compliance with UITF 13. Expenses incurred by the trust in relation to administration are included in the profit and loss account. Payments of benefits to employees made by the trust have been included in staff costs.

18 Ultimate parent company

The company's immediate parent company is Berg (UK) Limited. The smallest group in which the results of the company are consolidated is that headed by FCI – Framatome Connectors International S.A. The largest group in which the results of the company are consolidated is that headed by Framatome S.A., whose consolidated results are available to the public.