Amplifon Limited

(Formerly Sietech Hearing Limited)

Report and Financial Statements

Registered number 1315581

31 December 2007

Contents

Directors' report

The directors present their annual report and the audited financial statements for the 12 months ended 31 December 2007.

Principal activities

The principal activities of the company are as consultants, distributors and dealers of hearing aids. The company operates within the United Kingdom and the Republic of Ireland

Business review

The trading results of the company for the period are set out on page 5 of the financial statements.

The entire share capital of Ultravox Holdings and its subsidiaries was acquired by the Amplifon S.p.A. group in 2006. As part of the strategic development of the Amplifon group in the United Kingdom and Republic of Ireland, all of the principal activities of consulting, distributing and dealing in hearing aids, was merged into one operating entity, Amplifon Limited, in March 2007:

- Sietech Hearing Limited was renamed Amplifon Limited on 27 March 2007
- all of the activities of the group in relation to the principal activities were merged into Amplifon Limited on 30 March 2007
- The activities of Ultratone Limited (trading as Amplivox+Ultratone), Sietech Hearing Limited and Hearing Health Limited were combined and began operating as Amplifon Limited.

Towards the end of the year, further reorganisation steps were taken to take advantage of opportunities in Scotland and Ireland:

- On 30 November 2007, the company acquired the entire share capital of Hearing and Electrical Appliances Limited, a company incorporated in Scotland,
- a separate entity (Amplifon Ireland Limited) was established on 31 December 2007

The key performance indicators for the combined businesses were:

	12 Months ended 31 December 2006	12 Months ended 31 December 2007	Change
Sales Turnover £M	38.3	47.0	-15%
Headcount (average)	833	787	-46

Turnover declined on an annualised basis because of increased competitive pressures from new entrants to the market and increased public sector funding to the free of service provision provided by hospitals. This intensified competitive environment had been anticipated by the company's management which began a reorganisation and effectiveness improvement programme through the year and continued in 2008. The company's intent behind the programme is to better prepare the company for an anticipated reduction in the public provision of hearing services.

The likelihood and timing of this reduction is uncertain and the company's industry continues to be regulated by The Hearing Aid Council Act, which, it is anticipated, will transfer its regulatory duties to the Health Professionals' Council during 2010. In the meantime, the company co-operates with the regulator both in terms of current activities and in matters of consultation relating to the future regulatory environment

As part of the planned changes to the professional qualification requirements for private sector audiologists, it was necessary for the company to terminate its training programme, in common with its competitors. This reduced the already tight supply of audiologists, which further increased costs and resulted in resource constraints. This situation will continue until the future regulation and registration requirements are finalised, but the company continues to develop and invest in its key resources for the future.

Directors' report *(continued)*

During the course of 2007, the first signs of lower economic activity in the United Kingdom were felt and this started to have an effect on customers' attitudes to discretionary expenditure which had some effect on sales of hearing aid solutions. Notwithstanding this, the company's customers pay on delivery of their purchases and so the credit risk is negligible. In terms of working capital risk, the company's logistics is best-in-class and comparable with companies within the Amplifon group, which is the world's largest and most successful of its type.

With the continuing support from the ultimate parent, Amplifon S.p.A, the directors continue to improve the operations of the company, to establish the Amplifon brand as the recognised name for dedicated private sector hearing solutions, and, by working with legislators, to position the company for the future opportunities in the UK and Irish marketplaces.

Proposed dividend

The directors do not recommend the payment of a dividend (*2006: £Nil*).

The loss for the period was £7,045,000 (*2006: Profit £1,618,000*).

Directors

The directors who held office during the period and until the signing of this report are as follows:

A A Chiono (appointed 14 August 2007)
J J Murphy (Resigned February 2008)
A R Webb

Events after the Balance Sheet date

On 1 January 2008, the assets of the company's operations in The Republic of Ireland were transferred to Amplifon Ireland Limited

On 31 January 2008, the company sold the majority of its fleet of motor vehicles to Lex Vehicle Leasing Limited and reacquired them on a Contract Purchase arrangement.

On 27 March 2008, Sam McCauley Chemists Limited, a company registered in the Republic of Ireland, invested in 25% of the shares in Amplifon Ireland Limited

On 31 March 2008, the operations of Hearing and Electrical Appliance Limited were merged with Amplifon Limited. Hearing and Electrical Appliances has since ceased to trade

Employees

It is the company's policy that employees should be kept as fully informed as is practicable about the company's progress through regular visits to branches by head office staff.

It is the policy of the company that there should be no unfair discrimination in considering applications for employment including any necessary re-training. All employees, whether or not disabled, are given equal opportunities to develop their experience and knowledge and to qualify for promotion in furtherance of their careers.

Persons who become disabled during the course of their employment with the company may be redeployed, if required, with due consideration being given to the individual's skills and abilities.

Directors' report *(continued)*

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with this report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the appointment of Ernst and Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board.

A R Webb
Secretary
23/12/08

Langley House
Styal Road
Manchester
M22 5WY

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company [and of the group] and of the profit or loss of the company] for that period. In preparing these 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;
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 AUDITOR'S REPORT TO THE MEMBERS OF AMPLIFON LIMITED

We have audited the company's financial statements for the year ended 31 December 2007 which comprise Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 19. 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 United Kingdom law and 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP
Ernst & Young LLP
Registered auditor
Manchester
5/1/09

Profit and loss account
for the 12 month period ended 31 December 2007

	Note	**12 Months 31 December 2007 £'000**	**14 Months 31 December 2006 £'000**
Turnover	2	38,348	22,687
Cost of sales		(27,046)	(14,789)
Gross Profit		11,302	7,898
Administrative expenses		(18,305)	(5,610)
Other operating income	5	-	83
Operating loss		(7,003)	2,371
Interest recievable		52	-
Interest payable		(170)	(3)
Loss on disposal of investments		(5)	-
Loss on ordinary activities before taxation		(7,126)	2,368
Tax on loss on ordinary activities	7	81	(750)
Loss on ordinary activities after taxation for the period	15	(7,045)	1,618

All activities were derived from continuing operations.

Statement of total recognised gains and losses
for the 12 month period ended 31 December 2007

There have been no recognised gains or losses in either the current or preceding period other than those passing through the profit and loss account.

Balance sheet
at 31 December 2007

	Note	31 December 2007 £'000	31 December 2007 £'000	31 December 2006 £'000	31 December 2006 £'000
Fixed assets					
Intangible assets	*8*		117		4
Investments	9		816		-
Tangible assets	*10*		5,578		1,433
			6,511		1,437
Current assets					
Stocks	*11*	322		255	
Debtors	*12*	12,375		10,546	
Cash at bank and in hand		1,826		475	
		14,523		11,276	
Creditors: amounts falling due within one year	*13*	(20,332)		(4,967)	
Net current assets			(5,810)		6,309
Total assets less current liabilities			701		7,746
Net assets			701		7,746
Capital and reserves					
Called up share capital	*14*		1,800		1,800
Other reserves	*15*		2,310		2,310
Profit and loss account	15		(3,409)		3,636
Shareholder's funds			701		7,746

These financial statements were approved by the board of directors on 23/12/2008, and were signed on its behalf by:

A R Webb
Director

Reconciliation of movements in shareholder's funds
for the 12 month period ended 31 December 2007

	12 Months 31 December 2007 £'000	14 months 31 December 2006 £'000
Profit for the financial period	(7,045)	1,618
Net addition to shareholder's funds	(7,045)	1,618
Opening shareholder's funds	7,746	6,128
Closing shareholder's funds	701	7,746

Notes

For the 12 month period ended 31 December 2007

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Going Concern

The company is dependant on the ongoing support from their parent company Amplifon SpA. Directors have undertaken from them that this support will continue for the foreseeable future.

Cash flow statement

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Related party transactions

As the company is a wholly owned subsidiary, where 90% or more of its voting rights are controlled within the Amplifon Group the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Amplifon SpA, within which this company is included, can be obtained from the address given in note 18.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 10 years.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold property	2% per annum
Freehold improvements	20% per annum
Short leasehold land and buildings	Shorter of life of lease or 10 years
Motor vehicles	25% per annum
Equipment	15-20% per annum

Notes *(continued)*
for the 12 month period ended 31 December 2007

1 Accounting policies (continued)

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the life of the lease.

Post retirement benefits

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of goods purchased for resale, the actual purchase price is used.

Deferred Tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the exception of deferred tax assets.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Revenue from the sale of hearing aids, hearing aid accessories and similar goods, is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods. In the case of hearing aids, this is when the hearing aid system has been fitted. Revenue from contract to provide audiological services is recognised when the service is performed. Revenue from our maintenance service contracts is recognised evenly over the life of the contract.

Notes *(continued)*
for the 12 month period ended 31 December 2007

2 Analysis of turnover and profit on ordinary activities before taxation

The company's turnover and profit on ordinary activities before taxation are all derived from the company's principal activities and arise wholly within the UK.

3 Profit on ordinary activities before taxation

	12 Months 31 December 2007 £'000	14 months 31 December 2006 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditor's remuneration – audit	104	15
Depreciation	2,044	655
Amortisation		1
Rents receivable	-	(50)
Loss on disposal of fixed assets	111	40
Hire of other assets – operating leases	1,847	772

4 Remuneration of directors

	12 Months 31 December 2007 £'000	14 months 31 December 2006 £'000
Directors' emoluments:		
As directors	579	-

In prior years, the directors' services were provided by another group company. As a result of the reorganisation, the directors are now employed by the company and they provide their services to other group companies

5 Other Income

12 Months 31 December 2007 £'000	14 months 31 December 2006 £'000
-	83

Notes *(continued)*
for the 12 month period ended 31 December 2007

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	12 Months 31 December 2007 £'000	14 Months 31 December 2006 £'000
Administration	91	140
Sales and Distribution	552	123
	643	263

The aggregate payroll costs of these persons were as follows:

	12 Months 31 December 2007 £'000	14 Months 31 December 2006 £'000
Wages and salaries	15,768	7,249
Social security costs	2,044	801
Pension costs (see note 18)	-	63
	17,812	8,113

Notes *(continued)*
for the 12 month period ended 31 December 2007

7 Taxation

Analysis of charge in period:

	2007	12 Months 31 December 2007	2006	14 Months 31 December 2006
	£'000	£'000	£'000	£'000
UK Corporation tax				
Current tax on income for the period	-		740	
Adjustments in respect of prior periods	81		(57)	
Total current tax		81		683
Deferred tax (see note 10)				
Origination/reversal of timing differences		-		67
Tax on profit on ordinary activities		**81**		750

Factors affecting the tax charge for the current period

The current tax charge for the period is higher *(2006: lower)* than the standard rate of corporation tax in the UK *(2006: 30%)*. The differences are explained below:

	12 Months 31 December 2007 £'000	14 Months 31 December 2006 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	(7,126)	2,368
Current tax at 30% (*2006: 30%*)	(2,138)	710
Effects of:		
Expenses not deductible for tax purposes	15	37
Depreciation in advance of capital allowances	2,123	(7)
Adjustment in respect of prior periods	81	(57)
Total current tax charge (see above)	81	683

There is an unrecognised deferred tax asset at the year end of £4,371,000 (2006: £56,000) in relation to decelerated capital allowances £2,887,000 (2006: £nil), short term timing differences £42,000 (2006: £nil), capital losses of £284,000 (2006: £nil), and £1,158,000 (2006: £nil) trading losses transferred in which relate to the Ultravox trade.

Notes *(continued)*
for the 12 month period ended 31 December 2007

8 Intangible fixed assets

	Purchased goodwill £'000
Cost	
At 1 January 2007	38
Additions	120
At 31 December 2007	158
Amortisation	
At 1 January 2007	34
Charge for the period	7
At 31 December 2007	41
Net book value	
At 31 December 2007	**117**
At 31 December 2006	**4**

Additions of £120,000 related to purchased goodwill

9 Fixed asset investments

	Shares in group undertakings 2007 £'000
Cost and net book value	
At 1 January 2007	-
Additions	816
At 31 December 2007	816

A separate entity (Amplifon Ireland Limited) was established on 31 December 2007. On 1 January 2008, the assets of the company's operations in The Republic of Ireland were transferred to Amplifon Ireland Limited and on 27 March 2008, Sam McCauley Chemists Limited, a company registered in the Republic of Ireland invested in 25% of the shares in Amplifon Ireland Limited

On 30 November 2007, the company acquired, for £700,000 the entire share capital of Hearing and Electrical Appliances Limited, a company incorporated in Scotland. On 31 March 2008, the operations of Hearing and Electrical Appliance Limited were merged with Amplifon Limited. Hearing and Electrical Appliances has since ceased to trade

The companies in which the company's or subsidiaries' interest at the period end is more than 20% are as follows:

Subsidiary undertakings	**Principal activity**	**Percentage of shares held at 31 December 2007**
Amplifon Ireland Limited	Not Active	100%
Hearing and Electrical Appliances Limited	Not active	100%

Notes *(continued)*
for the 12 month period ended 31 December 2007

10 Tangible fixed assets

	Freehold property £'000	Short leasehold land & buildings £'000	Motor vehicles & equipment £'000	Total £'000
Cost				
At 1 January 2007	-	307	2,278	2,585
Additions	-	517	1,038	1,555
Intra Group transfers in at NBV	470	827	5,853	7,150
Disposals	-	-	(3,791)	(3,791)
At 31 December 2007	470	1,651	5,378	7,499
Depreciation				
At 1 January 2007	-	88	1,064	1,152
Charge for the period	13	322	1,709	2,044
On disposals	-	-	(1,275)	(1,275)
At 31 December 2007	13	410	1,498	1,921
Net book value				
At 31 December 2007	**457**	**1,241**	**3,880**	**5,578**
At 31 December 2006	-	219	1,214	1,433

Notes *(continued)*
for the 12 month period ended 31 December 2007

11 Stocks

	31 December 2007 £'000	31 December 2006 £'000
Finished goods and goods for resale	322	255

12 Debtors

	31 December 2007 £'000	31 December 2006 £'000
Trade debtors	164	86
Amounts owed by parent and fellow subsidiary undertakings	10,645	10,199
Corporation tax repayable	81	-
Other debtors	892	95
Prepayments and accrued income	593	166
	12,375	10,546

All debtors fall due within one year.

Notes *(continued)*
for the 12 month period ended 31 December 2007

13 Creditors: amounts falling due within one year

	31 December 2007 £'000	31 December 2006 £'000
Trade creditors	1,956	1,321
Amounts owed to parent and fellow subsidiary undertakings	14,327	1,472
Corporation tax	-	683
Other taxes and social security	1,799	191
Accruals and deferred income	2,250	1,300
	20,332	4,967

14 Called up share capital

	31 December 2007 £'000	31 December 2006 £'000
Authorised		
1,800,000 ordinary shares of £1 each	**1,800**	1,800
Allotted, called up and fully paid		
1,800,000 ordinary shares of £1 each	**1,800**	1,800

Notes *(continued)*
for the 12 month period ended 31 December 2007

15 Other reserves

	Profit and loss account £'000
At 1 January 2007	3,636
Profit for the period	(7,045)
At 31 December 2007	(3,409)

	Capital reserves £'000
At 1 January 2007 and 31 December 2007	2,310

The capital reserve represents non-repayable capital contributions received from a former holding company prior to its acquisition by Ultratone Limited. The contributions were made in the year ended 30 September 1991.

16 Commitments and contingent liabilities

(i) There were no capital commitments at the end of the period *(2006: £Nil)*.

(ii) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 2007	Land and buildings 2006
	£'000	£'000
Operating leases which expire:		
Within one year	338	43
In the second to fifth years inclusive	801	267
Over five years	1,274	475
	2,413	785

(iii) The company has given its bankers unlimited cross guarantees in favour of all group companies. Group borrowings subject to cross guarantees at the period end amounted to £Nil *(2006: £Nil)*.

17 Provisions for liabilities and charges

	Income Tax £'000	VAT £'000
Balance at 1 January 2007	-	344
Transferred with trade and assets to Amplifon Limited		(344)
Charge to the profit and loss account for the period	-	-
Utilised in the period	-	-
Balance at 31 December 2007	-	-

Provision in respect of a potential HMRC VAT claim has been transferred to Amplifon Limited in the period.

18 Related party disclosures

Related party	Relationship	Nature of transactions	2007 Purchases £'000	2007 Debtor or Creditor outstanding at period end £'000	2006 Purchases £'000	2006 Creditor outstanding at period end £'000
Amplivox Limited	Group company, less than 90% owned	Purchase of audiology equipment	-	-	29	6

19 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Ultravox Holdings Limited, a company incorporated and registered in England and Wales. The ultimate parent company is Amplifon S.p.A., a company incorporated and registered in Italy.

The largest and smallest group in which the results of the company are consolidated is that headed by Amplifon S.p.A.. The consolidated financial statements of the group are available to the public and may be obtained from Amplifon S.p.A., Via G Ripamonti 133, 20141 Milan, Italy.