

Sietech Hearing Limited

**Directors' report and financial
statements**

Registered number 1315581

31 October 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 October 2002.

Principal activities

The principal activities of the company are as consultants, distributors and dealers of hearing aids.

The company operates within the United Kingdom. In the previous year the company also operated a branch in Eire.

Business review

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

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend.

The profit for the year retained in the company is £1,036,916.

Directors and directors' interests

The directors who held office during the year were as follows:

NJF Reeves
CP Cartwright
GB Williams (resigned 11 June 2002)

None of the directors who held office at the end of the year had any disclosable interest in the shares of the company.

The directors' interests in the shares of the ultimate holding company are disclosed in that company's financial statements.

According to the register of directors' interest, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Political and charitable donations

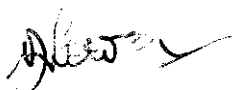
The company made no political or charitable donations during the year.

Directors' report *(continued)*

Auditors

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

By order of the board



NJF Reeves
Secretary

13 August 2003

Amplivox House
Stanneylands Road
Wilmslow
Cheshire

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 for that year. 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, subject to any material departures disclosed and explained in the financial statements; 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 maintaining 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 have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



St James' Square
Manchester M2 6DS
United Kingdom

Independent auditor's report to the members of Sietech Hearing Limited

We have audited the financial statements on pages 5 to 16.

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 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 auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements 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.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 October 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

15 August 2003

Profit and loss account
for the year ended 31 October 2002


	<i>Note</i>	2002 £	2001 £
Turnover from continuing operations	2	12,754,205	12,677,543
Cost of sales		(8,439,241)	(8,062,891)
Gross profit		<u>4,314,964</u>	<u>4,614,652</u>
Administrative expenses		(2,945,490)	(4,461,304)
Other operating income		14,722	11,228
Operating profit from continuing operations		<u>1,384,196</u>	<u>164,576</u>
Other interest receivable and similar income	6	758	1,986
Interest payable and similar charges	7	(13,001)	(57)
Profit on ordinary activities before taxation		<u>1,371,953</u>	<u>166,505</u>
Tax on profit on ordinary activities	8	(335,037)	(70,766)
Retained profit for the financial year		<u>1,036,916</u>	<u>95,739</u>
Retained loss brought forward		(1,560,342)	(1,656,081)
Retained loss carried forward		<u>(523,426)</u>	<u>(1,560,342)</u>

The company has no recognised gains or losses in either the current or preceding year other than those reported above and therefore no separate statement of total recognised gains and losses has been presented.

Balance sheet
at 31 October 2002

	<i>Note</i>	2002	2001
		£	£
Fixed assets			
Tangible assets	10	748,961	687,583
Current assets			
Stocks	11	324,574	293,455
Debtors	12	4,907,913	4,883,718
Cash at bank and in hand		6,750	6,375
		<u>5,239,237</u>	<u>5,183,548</u>
Creditors: amounts falling due within one year	13	(2,401,624)	(3,321,473)
Net current assets		<u>2,837,613</u>	<u>1,862,075</u>
Net assets		<u>3,586,574</u>	<u>2,549,658</u>
Capital and reserves			
Called up share capital	15	1,800,000	1,800,000
Other reserves	16	2,310,000	2,310,000
Profit and loss account		(523,426)	(1,560,342)
Equity shareholder's funds		<u>3,586,574</u>	<u>2,549,658</u>

These financial statements were approved by the board of directors on 13 August 2003 and were signed on its behalf by:


NJF Reeves
Director

Reconciliation of movements in shareholder's funds
for the year ended 31 October 2002

	2002 £	2001 £
Profit for the financial year	1,036,916	95,739
Net addition to shareholder's funds	<u>1,036,916</u>	<u>95,739</u>
Opening shareholder's funds	2,549,658	2,453,919
Closing shareholder's funds	<u><u>3,586,574</u></u>	<u><u>2,549,658</u></u>

Notes

(forming part of the financial statements)

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 except as noted below. The company has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements. The comparative figures have not been restated on the grounds of immateriality.

Basis of preparation

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

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 of the group headed by Ultravox Holdings Limited, 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 Ultravox Holdings Limited, within which this company is included, can be obtained from the address given in note 20. Other related party transactions are set out in note 19 to the financial statements.

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 combinations in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

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:

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)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. The results of the overseas branch are translated at average rates in the profit and loss account.

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 weighted average purchase price is used.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

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

Notes (continued)

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

	2002 £	2001 £
<i>Profit on ordinary activities before taxation is stated:</i>		
<i>after charging/(crediting)</i>		
Auditor's remuneration - audit	9,600	8,040
Depreciation	285,157	304,380
Hire of other assets - operating leases	339,159	295,291
Exchange (gain)/loss	(745)	10,432
Rents receivable	(57,942)	(74,056)
Loss on disposal of fixed assets	13,814	1,644
	<u> </u>	<u> </u>

4 Remuneration of directors

	2002 £	2001 £
Directors' emoluments:		
As directors	271,522	606,444
Pension contributions	-	1,213,200
	<u>271,522</u>	<u>1,819,644</u>

The emoluments, excluding pension contributions, of the highest paid director were £59,000 (2001: £41,000) and pension contributions of £nil (2001: £1,197,700) were made to a money purchase scheme on his behalf. Retirement benefits are accruing to two (2001: two) directors under defined contribution schemes.

During the year directors' emoluments, including pension costs, of £215,000 (2001: £1,729,837) were recharged from Ultratone Limited. This includes remuneration of £74,400 (2001: £58,000) for directors services in respect of people who are not registered as directors of the company.

Notes (continued)

5 Staff numbers and costs

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

	Number of employees	
	2002	2001
Administration	74	72
Sales	70	70
	<u>144</u>	<u>142</u>

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£	£
Wages and salaries	4,296,084	4,463,083
Social security costs	330,778	326,691
Pension costs (see note 18)	105,208	1,311,225
	<u>4,732,070</u>	<u>6,100,999</u>

6 Other interest receivable and similar income

	2002	2001
	£	£
Interest on employee loans	758	950
Interest on tax	-	1,036
	<u>758</u>	<u>1,986</u>

7 Interest payable

	2002	2001
	£	£
Interest on VAT assessment	90	-
Interest on corporation tax	12,911	57
	<u>13,001</u>	<u>57</u>

Notes (continued)

8 Taxation

Analysis of charge in period

	2002		2001	
	£	£	£	£
<i>UK corporation tax</i>				
Current tax on income for the period	425,691		54,350	
Adjustments in respect of prior periods	(42,264)		16,416	
	<hr/>		<hr/>	
Total current tax		383,427		70,766
Deferred tax (see note 14)				
Origination/reversal of timing differences		(48,390)		-
		<hr/>		<hr/>
Tax on profit on ordinary activities		335,037		70,766
		<hr/>		<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2001: higher) than the standard rate of corporation tax in the UK (30%, 2001: 30 %). The differences are explained below.

	2002 £	2001 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,371,953	166,505
	<hr/>	<hr/>
Current tax at 30% (2001: 30%)	411,586	49,952
<i>Effects of:</i>		
Expenses not deductible for tax purposes	10,776	750
Capital allowances for period in excess of depreciation	3,329	3,648
Adjustments to tax charge in respect of previous periods	(42,264)	16,416
	<hr/>	<hr/>
Total current tax charge (see above)	383,427	70,766
	<hr/>	<hr/>

Factors that may affect the future tax charge

The deferred tax asset will reduce the future tax charge when it reverses.

Notes (continued)

9 Intangible fixed assets

	Purchased goodwill £
<i>Cost</i>	
At beginning and end of year	32,500
<i>Amortisation</i>	
At beginning and end of year	32,500
<i>Net book value</i>	
At 31 October 2002 and 31 October 2001	-

10 Tangible fixed assets

	Short leasehold land and buildings £	Motor vehicles and equipment £	Total £
<i>Cost</i>			
At beginning of year	23,177	1,357,475	1,380,652
Additions	23,784	429,152	452,936
Disposals	-	(437,110)	(437,110)
At end of year	46,961	1,349,517	1,396,478
<i>Depreciation</i>			
At beginning of year	13,659	679,410	693,069
Charge for year	2,300	282,857	285,157
On disposals	-	(330,709)	(330,709)
At end of year	15,959	631,558	647,517
<i>Net book value</i>			
At 31 October 2002	31,002	717,959	748,961
At 31 October 2001	9,518	678,065	687,583

11 Stocks

	2002 £	2001 £
Finished goods and goods for resale	324,574	293,455

Notes (continued)

12 Debtors

	2002 £	2001 £
Trade debtors	155,014	8,280
Amounts owed by parent and fellow subsidiary undertakings	4,537,032	4,631,357
Corporation tax	-	97,719
Deferred tax	48,390	-
Other debtors	62,764	31,240
Prepayments and accrued income	104,713	115,122
	<u>4,907,913</u>	<u>4,883,718</u>

All debtors fall due within one year.

13 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank overdraft	140,899	303,249
Trade creditors	559,506	451,840
Amounts owed to parent and fellow subsidiary undertakings	414,480	1,462,797
Other creditors including taxation and social security:		
Corporation tax	199,271	-
Other taxes and social security	93,931	203,914
Other creditors	2,034	581
	<u>295,236</u>	<u>204,495</u>
Accruals and deferred income	991,503	899,092
	<u>2,401,624</u>	<u>3,321,473</u>

Notes (continued)

14 Provisions for liabilities and charges

The elements of deferred taxation are as follows:

	2002 £	2001 £
Difference between accumulated depreciation and capital allowances	48,390	-
Deferred tax asset (see note 12)	48,390	-

15 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
1,800,000 ordinary shares of £1 each	1,800,000	1,800,000
<i>Allotted, called up and fully paid</i>		
1,800,000 ordinary shares of £1 each	1,800,000	1,800,000

16 Other reserves

	Capital reserve £
At beginning and end of year	2,310,000

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

Notes (continued)

17 Commitments and contingent liabilities

- (i) There were no capital commitments at the end of the year (2001: £Nil).
- (ii) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings £ 2002	Land and buildings £ 2001
Operating leases which expire:		
Within one year	98,229	7,500
In the second to fifth years inclusive	134,200	214,529
Over five years	60,350	91,900
	<u>292,779</u>	<u>313,929</u>

- (iii) The company has given its bankers unlimited cross guarantees in favour of all group companies. Group borrowings subject to cross guarantees at the year end amounted to £nil (2001: £nil).

18 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £105,208 (2001: £98,025).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

In addition, pension costs of £nil (2001: £1,213,200) relating to directors were recharged from Ultratone Limited

19 Related party disclosures

The company is controlled by Ultravox Holdings Limited, its ultimate parent undertaking.

The company made purchases amounting to £14,249 (2001: £19,472) from Amplivox Limited, a company under common control. In addition, the company had a balance due to Amplivox Limited at 31 October 2002 of £4,281 (2001: £129,175).

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

The company is a subsidiary undertaking of Ultratone Limited, a company incorporated and registered in England and Wales. The ultimate parent company is Ultravox Holdings Limited, a company incorporated and registered in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Ultravox Holdings Limited. The consolidated financial statements of the group are available to the public and may be obtained from Companies House, Maindy, Cardiff, CF4 3UZ.