

Sietech Hearing Limited

**Directors' report and financial
statements**

Registered number 1315581

31 October 2003



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 October 2003.

Principal activities

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

The company operates within the United Kingdom.

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 £1,060,926.

Directors and directors' interests

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

NJF Reeves
CP Cartwright

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

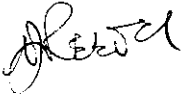
The company made no political or charitable donations during the year.

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

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

2/11/04

KPMG LLP

Chartered Accountants

Registered Auditor

Profit and loss account

for the year ended 31 October 2003


	<i>Note</i>	2003 £	2002 £
Turnover from continuing operations	2	13,784,591	12,754,205
Cost of sales		(9,443,501)	(8,439,241)
Gross profit		4,341,090	4,314,964
Administrative expenses		(2,998,341)	(2,945,490)
Other operating income		237,643	14,722
Operating profit from continuing operations		1,580,392	1,384,196
Other interest receivable and similar income	6	15,984	758
Interest payable and similar charges	7	-	(13,001)
Profit on ordinary activities before taxation	2-7	1,596,376	1,371,953
Tax on profit on ordinary activities	8	(535,450)	(335,037)
Retained profit for the financial year		1,060,926	1,036,916
Retained loss brought forward		(523,426)	(1,560,342)
Retained profit carried forward		537,500	(523,426)

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 2003

	Note	2003 £	£	2002 £	£
Fixed assets					
Tangible assets	10	884,074		748,961	
Current assets					
Stocks	11	304,427		324,574	
Debtors	12	5,665,052		4,907,913	
Cash at bank and in hand		-		6,750	
		<u>5,969,479</u>		<u>5,239,237</u>	
Creditors: amounts falling due within one year	13	<u>(2,206,053)</u>		<u>(2,401,624)</u>	
Net current assets			<u>3,763,426</u>		<u>2,837,613</u>
Net assets			<u>4,647,500</u>		<u>3,586,574</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		537,500		(523,426)	
Equity shareholder's funds			<u>4,647,500</u>		<u>3,586,574</u>

These financial statements were approved by the board of directors on ^{28th} October 2004 and were signed on its behalf by:



NJF Reeves
Director

Reconciliation of movements in shareholder's funds
for the year ended 31 October 2003

	2003 £	2002 £
Profit for the financial year	1,060,926	1,036,916
Net addition to shareholder's funds	<u>1,060,926</u>	<u>1,036,916</u>
Opening shareholder's funds	3,586,574	2,549,658
Closing shareholder's funds	<u><u>4,647,500</u></u>	<u><u>3,586,574</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.

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.

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

	2003 £	2002 £
<i>Profit on ordinary activities before taxation is stated:</i>		
<i>after charging/(crediting)</i>		
Auditor's remuneration - audit	11,249	9,600
Depreciation	347,758	285,157
Hire of other assets - operating leases	352,444	339,159
Exchange loss/(gain)	8,757	(745)
Rents receivable	(62,300)	(57,942)
Loss on disposal of fixed assets	11,197	13,814
	<hr/>	<hr/>

4 Remuneration of directors

	2003 £	2002 £
Directors' emoluments:		
As directors	215,000	271,522
	<hr/>	<hr/>
	215,000	271,522
	<hr/>	<hr/>

During the year directors' emoluments £215,000 (2002: £215,000) were recharged from Ultratone Limited. This includes remuneration of £111,000 (2002: £111,000) 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	
	2003	2002
Administration	88	74
Sales	80	70
	<u>168</u>	<u>144</u>

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£	£
Wages and salaries	4,188,356	4,296,084
Social security costs	390,301	330,778
Pension costs (see note 18)	110,994	105,208
	<u>4,689,651</u>	<u>4,732,070</u>

6 Other interest receivable and similar income

	2003	2002
	£	£
Interest on employee loans	710	758
Interest on tax	15,274	-
	<u>15,984</u>	<u>758</u>

7 Interest payable

	2003	2002
	£	£
Interest on VAT assessment	-	90
Interest on corporation tax	-	12,911
	<u>-</u>	<u>13,001</u>

Notes (continued)

8 Taxation

Analysis of charge in period

	2003		2002	
	£	£	£	£
<i>UK corporation tax</i>				
Current tax on income for the period	488,698		425,691	
Adjustments in respect of prior periods	35,345		(42,264)	
	<hr/>		<hr/>	
Total current tax		524,043		383,427
Deferred tax (see note 14)				
Origination/reversal of timing differences		11,407		(48,390)
		<hr/>		<hr/>
Tax on profit on ordinary activities		535,450		335,037
		<hr/>		<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2002: lower) than the standard rate of corporation tax in the UK (30%, 2002: 30 %). The differences are explained below.

	2003	2002
	£	£
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,596,376	1,371,953
	<hr/>	<hr/>
Current tax at 30% (2002: 30%)	478,913	411,586
<i>Effects of:</i>		
Expenses not deductible for tax purposes	5,246	10,776
Capital allowances for period in excess of depreciation	4,539	3,329
Adjustments to tax charge in respect of previous periods	35,345	(42,264)
	<hr/>	<hr/>
Total current tax charge (see above)	524,043	383,427
	<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
	£
Cost	
At beginning and end of year	32,500
Amortisation	
At beginning and end of year	32,500
Net book value	
At 31 October 2003 and 31 October 2002	-

10 Tangible fixed assets

	Short leasehold land and buildings	Motor vehicles and equipment	Total
	£	£	£
Cost			
At beginning of year	46,961	1,349,517	1,396,478
Additions	-	713,434	713,434
Disposals	-	(504,228)	(504,228)
At end of year	46,961	1,558,723	1,605,684
Depreciation			
At beginning of year	15,959	631,558	647,517
Charge for year	4,678	343,080	347,758
On disposals	-	(273,665)	(273,665)
At end of year	20,637	700,973	721,610
Net book value			
At 31 October 2003	26,324	857,750	884,074
At 31 October 2002	31,002	717,959	748,961

11 Stocks

	2003	2002
	£	£
Finished goods and goods for resale	304,427	324,574

Notes (continued)

12 Debtors

	2003 £	2002 £
Trade debtors	5,140	155,014
Amounts owed by parent and fellow subsidiary undertakings	5,165,281	4,537,032
Deferred tax (see note 14)	36,983	48,390
Other debtors	13,358	62,764
Prepayments and accrued income	444,290	104,713
	<u>5,665,052</u>	<u>4,907,913</u>

All debtors fall due within one year.

13 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank overdraft	296,991	140,899
Trade creditors	589,853	559,506
Amounts owed to parent and fellow subsidiary undertakings	88,916	414,480
Other creditors including taxation and social security:		
Corporation tax	302,054	199,271
Other taxes and social security	109,797	93,931
Other creditors	-	2,034
	<u>411,851</u>	<u>295,236</u>
Accruals and deferred income	818,442	991,503
	<u>2,206,053</u>	<u>2,401,624</u>

Overdrafts are secured by fixed and floating charges over the assets of the Group. Interest is charged at commercial rates.

Notes (continued)

14 Provisions for liabilities and charges

The elements of deferred taxation are as follows:

	2003 £	2002 £
Difference between accumulated depreciation and capital allowances	36,983	48,390
Deferred tax asset (see note 12)	<u>36,983</u>	<u>48,390</u>

15 Called up share capital

	2002 £	2002 £
<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	<u>1,800,000</u>	<u>1,800,000</u>

16 Other reserves

	Capital reserve £
At beginning and end of year	<u>2,310,000</u>

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 (2002: £Nil).
- (ii) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings £ 2003	Land and buildings £ 2002
Operating leases which expire:		
Within one year	48,929	98,229
In the second to fifth years inclusive	169,000	134,200
Over five years	47,476	60,350
	<u>265,405</u>	<u>292,779</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 (2002: £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 £110,994 (2002: £105,208).

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

19 Related party disclosures

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

The company made purchases amounting to £18,711 (2002: £14,249) from Amplivox Limited, a company under common control. In addition, the company had a balance due to Amplivox Limited at 31 October 2003 of £2,942 (2002: £4,281).

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.