

Sietech Hearing Limited

Directors' Report and Financial Statements

Registered number 1315581

Year ended 31 October 2004



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 October 2004.

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 by the company is £468,525 (2003: £1,060,926).

Directors and directors' interests

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

CP Cartwright
JJ Murphy
JT Booth (appointed 1 April 2005)
NJF Reeves (resigned 29 October 2004)

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



JJ Murphy
Director

Langley House
Styal Road
Manchester
M22 5WY

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 17.

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

24/8/05

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 October 2004

	Note	2004 £	2003 £
Turnover from continuing operations	2	14,786,968	13,784,591
Cost of sales		(9,815,110)	(9,443,501)
		<hr/>	<hr/>
Gross Profit		4,971,858	4,341,090
Administrative expenses (including exceptional costs of £639,000 (2003: £Nil))	3	(4,206,966)	(2,998,341)
Other operating income		1,937	237,643
		<hr/>	<hr/>
Operating profit from continuing operations		766,829	1,580,392
Other interest receivable and similar income	6	478	15,984
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2-6	767,307	1,596,376
Tax on profit on ordinary activities	7	(298,782)	(535,450)
		<hr/>	<hr/>
Retained profit for the financial year		468,525	1,060,926
Retained profit/(loss) brought forward		537,500	(523,426)
		<hr/>	<hr/>
Retained profit carried forward		1,006,025	537,500
		<hr/>	<hr/>

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 2004

		2004 £	2004 £	2003 £	2003 £
Fixed assets					
Intangible assets	8		4,708		-
Tangible assets	9		880,755		884,074
			<hr/>		<hr/>
			885,463		884,074
Current assets					
Stocks	10	352,956		304,427	
Debtors	11	7,013,481		5,665,052	
Cash at bank and in hand		-		-	
		<hr/>	<hr/>	<hr/>	<hr/>
			7,366,437		5,969,479
Creditors: amounts falling due within one year	12	(2,496,875)		(2,206,053)	
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets			4,869,562		3,763,426
			<hr/>		<hr/>
Total assets less current liabilities			5,755,025		4,647,500
Provisions for liabilities and charges	13		(639,000)		-
			<hr/>		<hr/>
Net assets			5,116,025		4,647,500
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	14		1,800,000		1,800,000
Other reserves	15		2,310,000		2,310,000
Profit and loss account			1,006,025		537,500
			<hr/>		<hr/>
Equity shareholder's funds			5,116,025		4,647,500
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 24th August 2005, and were signed on its behalf by:


JJ Murphy
Director

Reconciliation of movements in shareholder's funds
for the year ended 31 October 2004

	2004 £	2003 £
Profit for the financial year	468,525	1,060,926
Net addition to shareholder's funds	468,525	1,060,926
Opening shareholder's funds	4,647,500	3,586,574
Closing shareholder's funds	5,116,025	4,647,500

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.

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 19. Other related party transactions are set out in note 18 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 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:

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)
(forming part of the financial statements)

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)
(forming part of the financial statements)

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

	2004 £	2003 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditor's remuneration – audit	13,725	11,249
Depreciation	368,829	347,758
Hire of other assets – operating leases	330,333	352,444
Exchange loss	1,497	8,757
Rents receivable	(64,553)	(62,300)
Loss on disposal of fixed assets	3,103	11,197
Exceptional item: Provision in respect of Income Taxes (note 13)	639,000	-
	<hr/>	<hr/>

4 Remuneration of directors

	2004 £	2003 £
Directors' emoluments: As directors	225,000	215,000
	<hr/>	<hr/>

During the year directors' emoluments of £225,000 (2003: £215,000) were recharged from Ultratone Limited. This includes remuneration of £111,000 (2003: £111,000) for services provided by directors of other group companies.

Notes (continued)
(forming part of the financial statements)

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	
	2004	2003
Administration	81	88
Sales	99	80
	<hr/>	<hr/>
	180	168
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£	£
Wages and salaries	4,800,169	4,188,356
Social security costs	433,449	390,301
Pension costs (see note 17)	112,508	110,994
	<hr/>	<hr/>
	5,346,126	4,689,651
	<hr/>	<hr/>

6 Other interest receivable and similar income

	2004	2003
	£	£
Interest on employee loans	478	710
Interest on tax	-	15,274
	<hr/>	<hr/>
	478	15,984
	<hr/>	<hr/>

Notes (continued)
(forming part of the financial statements)

7 Taxation

Analysis of charge in period:

	2004	2003
	£	£
<i>UK Corporation tax</i>		
Current tax on income for the period	311,648	488,698
Adjustments in respect of prior periods	-	35,345
	<hr/>	<hr/>
Total current tax	311,648	524,043
Deferred tax (see note 11)		
Origination/reversal of timing differences	(12,866)	11,407
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>298,782</u>	<u>535,450</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2003: *higher*) than the standard rate of corporation tax in the UK (30%, 2003: 30%). The differences are explained below:

	2004	2003
	£	£
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	767,307	1,596,376
	<hr/>	<hr/>
Current tax at 30% (2003: 30%)	230,192	478,913
<i>Effects of:</i>		
Expenses not deductible for tax purposes	68,590	5,246
Capital allowances for period lower than depreciation	12,866	4,539
Adjustments to tax charge in respect of previous periods	-	35,345
	<hr/>	<hr/>
Total current tax charge (see above)	<u>311,648</u>	<u>524,043</u>

Factors that may affect the future tax charge

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

Notes (continued)
(forming part of the financial statements)

8 Intangible fixed assets

	Purchased goodwill £
Cost	
At the beginning of the year	32,500
Additions	5,000
	<hr/>
At the end of the year	37,500
	<hr/>
Amortisation	
At the beginning of the year	32,500
Charge for the year	292
	<hr/>
At the end of the year	32,792
	<hr/>
Net book value	
At 31 October 2004	4,708
	<hr/> <hr/>
At 31 October 2003	-
	<hr/> <hr/>

9 Tangible fixed assets

	Short leasehold land & buildings £	Motor vehicles & equipment £	Total £
Cost			
At the beginning of the year	46,961	1,558,723	1,605,684
Additions	10,240	493,032	503,272
Disposals	-	(355,134)	(355,134)
	<hr/>	<hr/>	<hr/>
At the end of year	57,201	1,696,621	1,753,822
	<hr/>	<hr/>	<hr/>
Depreciation			
At the beginning of the year	20,637	700,973	721,610
Charge for the year	5,107	363,722	368,829
On disposals	-	(217,372)	(217,372)
	<hr/>	<hr/>	<hr/>
At the end of year	25,744	847,323	873,067
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 October 2004	31,457	849,298	880,755
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 October 2003	26,324	857,750	884,074
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)
(forming part of the financial statements)

10 Stocks

	2004 £	2003 £
Finished goods and goods for resale	352,956	304,427

11 Debtors

	2004 £	2003 £
Trade debtors	163,070	5,140
Amounts owed by parent and fellow subsidiary undertakings	6,547,227	5,165,281
Deferred tax (see below)	49,849	36,983
Other debtors	22,833	13,358
Prepayments and accrued income	230,502	444,290
	7,013,481	5,665,052

All debtors fall due within one year.

The elements of deferred taxation are as follows:

	2004 £	2003 £
Difference between accumulated depreciation and capital allowances	49,849	36,983
Deferred tax asset	49,849	36,983

Notes (continued)
(forming part of the financial statements)

12 Creditors: amounts falling due within one year

	2004	2003
	£	£
Bank overdraft	11,810	296,991
Trade creditors	736,875	589,853
Amounts owed to parent and fellow subsidiary undertakings	312,146	88,916
Other creditors including taxation and social security:		
Corporation tax	312,842	302,054
Other taxes and social security	113,828	109,797
	<hr/>	<hr/>
	426,670	411,851
Accruals and deferred income	1,009,374	818,442
	<hr/>	<hr/>
	2,496,875	2,206,053
	<hr/>	<hr/>

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

13 Provisions for liabilities and charges

	£
Balance at the beginning of the year	-
Charge to the profit and loss account for the year	639,000
	<hr/>
Balance at the end of year	639,000
	<hr/>

At the year end the Directors have included a provision of £639,000 in respect of Income Taxes. This matter is currently being resolved with the Inland Revenue and is expected to crystallise within twelve months of signature of these accounts.

14 Called up share capital

	2004	2003
	£	£
Authorised		
1,800,000 ordinary shares of £1 each	1,800,000	1,800,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
1,800,000 ordinary shares of £1 each	1,800,000	1,800,000
	<hr/>	<hr/>

Notes (continued)
(forming part of the financial statements)

15 Other reserves

**Capital
reserve
£**

At beginning and end of year **2,310,000**

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 year (2003: £Nil).
- (ii) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 2004 £	Land and buildings 2003 £
Operating leases which expire:		
Within one year	94,958	48,929
In the second to fifth years inclusive	510,327	169,000
Over five years	1,154,775	47,476
	<hr/> 1,760,060 <hr/>	<hr/> 265,405 <hr/>

- (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 (2003: £Nil).

17 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 £112,508 (2003: £110,994).

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

Notes (continued)
(forming part of the financial statements)

18 Related party disclosures

Related party	Relationship	Nature of transactions	Purchases £	2004	Purchases £	2003
				Amount outstanding at year end £		Amount outstanding at year end £
GN Resound	Shareholder in parent company	Hearing aid purchases, marketing and management support	1,157,000	119,000	1,017,000	103,000
Amplivox Limited	Group company, less than 90% owned	Purchase of audiology equipment	18,000	-	19,000	3,000

19 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, Crown Way, Cardiff, CF4 3UZ.