

# **ON Semiconductor Limited**

## **Directors' report and financial statements 31 December 2005**

**Registered Number 3765736**



# **ON Semiconductor Limited**

## **Directors' report and financial statements 31 December 2005**

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# ON Semiconductor Limited

## Directors' report for the year ended 31 December 2005

The directors submit their report together with the audited financial statements of the group and the company for the year ended 31 December 2005.

### Principal activities

The group's and company's principal activities are the sale of electronic devices.

### Review of business

The profit for the group for the year after taxation amounted to \$3,492,959 (2004: \$8,475,229). The current year operating profit included an exceptional cost of \$1,334,120 relating to restructuring charges. No dividends were paid or payable as at 31 December 2005. Full details are set out in the consolidated profit and loss account on page 5.

Historically, the semiconductor industry has been highly cyclical. During a down cycle, unit demand and pricing have tended to fall in tandem, resulting in revenue declines. In response to such declines, manufacturers have shut down production capacity. When new applications or other factors have eventually caused demand to strengthen, production volumes have eventually stabilized and then grown again. As market unit demand has reached levels above capacity production capabilities, shortages have begun to occur, which typically has caused pricing power to swing back from customers to manufacturers, thus prompting further capacity expansion. Such expansion has typically resulted in overcapacity following a decrease in demand, which has triggered another similar cycle.

During the first half of 2005, the group experienced an increase in the end market unit demand sufficient to offset price decreases. The group also enjoyed growth in bookings during the second quarter with the book to bill ratio above one for the first quarter since the second quarter of 2004. During the second half of 2005, the group experienced an increase in the end market unit demand sufficient to grow revenues despite price decreases.

2004 was impacted by a change in the invoicing procedure of ON Semiconductor Corporation in Europe. Under the new structure, which became effective on 5 July 2004, ON Semiconductor Limited sells directly to all European customers. Local entities, ON Semiconductor France SAS, ON Semiconductor Germany GmbH and ON Semiconductor Italy S.r.l., became sales agents on behalf of ON Semiconductor Limited. These sales agents are responsible for generating local sales orders and they receive a fee, from ON Semiconductor Limited, for their services.

In terms of capital structure, as part of a global reorganisation of the legal entities within ON Semiconductor Corporation, the company acquired on 31 December 2003 shareholdings as set in note 9 of the following ON Semiconductor Corporation group companies from fellow group undertakings:

- \* ON Semiconductor France SAS
- \* ON Semiconductor Germany GmbH
- \* ON Semiconductor Italy S.r.l.
- \* ON Semiconductor Canada Trading Corporation
- \* SCG Korea Limited

# ON Semiconductor Limited

## Future developments

The Directors believe that the current level of operating activity should not decrease in the year ending 31 December 2006. Many of the major indicators of market health are forecast to reside at same levels in 2006 compared with the more recent historical averages. They expect price declines during 2006 to be moderate and they will continue to monitor the supply and demand picture to determine if pricing could be held or increased.

## Post balance events

No significant events have occurred since 31 December 2005.

## Dividends

No dividends were paid in respect of the year (2004 - \$nil).

## Research and Development

ON Semiconductor France SAS undertakes research and development in connection with Analog products. 80 employees are engaged in research and development as at 31 December 2005 (2004 - 73 employees).

## Directors

The directors who held office during the year were:

- P Tomlinson
- J Caprais

None of the directors held any notifiable interest in the shares of the company at any time during the year.

## Employment of disabled persons

The group considers applications for employment, including those from disabled persons, in the light of its requirements and the qualifications, aptitudes and abilities of each individual. Should employees become disabled during the course of their employment every practical effort will be made to retain their services and to provide retraining where necessary.

All employees are eligible for consideration for appropriate training, career development and promotional opportunities and disabled persons are not treated differently in this respect.

## Employee involvement

The group maintains a policy of informing and consulting employees upon matters of concern to them affecting their immediate jobs.

The means employed to achieve these objectives vary from formal intimations disseminated by notices to all employees, to discussion and debate within various committees. These committees meet regularly and involve personnel at all levels. The group provides employees with information on the trading performance of the company and encourages interest from the employees in suggesting methods of improvement in production techniques or methods of improving profitability.

# ON Semiconductor Limited

## Creditor payment policy

The group's policy with regard to the payment of suppliers is to:

- agree the terms of payment at the start of business with that supplier;
- ensure that the suppliers are made aware of the terms of the payment;
- pay in accordance with its contractual and legal obligations.

During the year ended 31 December 2005, the group took an average of 54.1 days to settle its bills with suppliers (2004: 49.8 days).

## Statement of Directors' Responsibilities

The Directors are required by UK company law to prepare Financial Statements for each financial year that gives a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss of the Group for that period.

The Directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

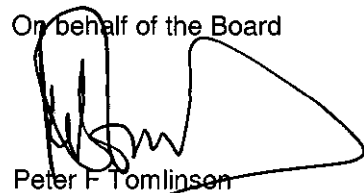
The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

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

## Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board



Peter F Tomlinson  
Director  
26 July 2006

# ON Semiconductor Limited

## Independent auditors' report to the members of ON Semiconductor Limited

We have audited the group and parent company financial statements of On Semiconductor Limited for the year ended 31 December 2005 which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements a material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors  
Glasgow, 26 July 2006

# ON Semiconductor Limited

## Consolidated profit and loss account for the year ended 31 December 2005

		Group Year ended 31 December 2005 \$	Group Year ended 31 December 2004 \$ As restated
	Notes		
Turnover	2	200,409,164	225,403,542
Cost of sales		(166,450,932)	(191,526,184)
<b>Gross profit</b>		<b>33,958,232</b>	<b>33,877,358</b>
Distribution costs		(10,588,969)	(11,802,777)
Research & Development costs		(11,313,047)	(11,547,503)
Administrative expenses before exceptional item	4	(783,452)	(1,901,680)
Exceptional item: restructuring charges		(1,334,120)	-
Administrative expenses		(2,117,572)	(1,901,680)
Other operating (expense)/income		(5,423,417)	1,658,174
<b>Operating profit</b>		<b>4,515,227</b>	<b>10,283,572</b>
Interest receivable	3	255,385	122,317
Interest payable	3	(182,350)	(704,622)
<b>Profit on ordinary activities before taxation</b>	4	<b>4,588,262</b>	<b>9,701,267</b>
Tax on profit on ordinary activities	7	(1,095,303)	(1,226,038)
<b>Profit for the year</b>		<b>3,492,959</b>	<b>8,475,229</b>
Retained profit brought forward		15,132,299	6,837,225
Retained profit carried forward		18,305,405	15,132,299

All results arose from continuing operations. There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents. The notes on pages 5 to 22 form an integral part of the financial statements.

# ON Semiconductor Limited

## Statement of total recognised gains and losses for the year ended 31 December 2005

		Group Year ended 31 December 2005	Group Year ended 31 December 2004
	Notes	\$	\$ As restated
Profit for the year		3,492,959	8,475,229
Actuarial loss on defined benefit pension scheme	19	(456,691)	(180,155)
Prior period adjustment		136,838	-
Total gains and losses recognised since last annual report		3,173,106	8,295,074



# ON Semiconductor Limited

## Balance sheets as at 31 December 2005

		Group 2005	Company 2005	Group 2004 As restated	Company 2004
	Notes	\$	\$	\$	\$
<b>Fixed assets</b>					
Tangible assets	8	1,523,165	14,089	1,333,445	16,607
Investments	9	2	17,600,002	2	17,600,002
		1,523,167	17,614,091	1,333,447	17,616,609
<b>Current assets</b>					
Stocks	10	1,357,039	1,356,971	1,847,272	1,846,386
Debtors	11	41,200,353	30,449,076	43,139,360	30,163,057
Cash at bank and in hand		17,581,542	9,220,262	15,451,285	8,084,067
		60,138,934	41,026,309	60,437,917	40,093,510
Creditors: amounts falling due within one year	12	36,560,372	35,756,970	39,796,736	42,678,581
<b>Net current assets/(liabilities)</b>		<b>23,578,562</b>	<b>5,269,339</b>	<b>20,641,181</b>	<b>(2,585,071)</b>
<b>Total assets less current liabilities</b>		<b>25,101,729</b>	<b>22,883,430</b>	<b>21,974,628</b>	<b>15,031,538</b>
Creditors: amounts falling due after more than one year	13	(500,003)	-	(168,461)	-
Provisions for liabilities and charges	14	(318,548)	-	(517,414)	(38,556)
Pension scheme liabilities	19	(2,198,736)	-	(2,377,417)	-
<b>Net assets</b>		<b>22,084,442</b>	<b>22,883,430</b>	<b>18,911,336</b>	<b>14,992,982</b>
<b>Capital and reserves</b>					
Called up share capital	16	3,777,288	3,777,288	3,777,288	3,777,288
Share premium account		1,749	1,749	1,749	1,749
Profit and loss account		18,305,405	19,104,393	15,132,299	11,213,945
<b>Equity shareholder's funds</b>	17	<b>22,084,442</b>	<b>22,883,430</b>	<b>18,911,336</b>	<b>14,992,982</b>

The financial statements on page 5 to 22 were approved by the Board of Directors on 26 July 2006 and were signed on its behalf by

  
Peter F. Tomlinson  
Director

# ON Semiconductor Limited

## Notes to the financial statements for the year ended 31 December 2005

### 1. Accounting policies

#### Basis of accounting

The financial statements have been prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below:

#### Changes in accounting policies

The group has adopted FRS 25 'Financial instruments: disclosure and presentation' in the financial statements. The adoption of this standard represents a change in accounting policy, however, the group has chosen to claim the exemption from restatement in respect of comparative figures on first implementing FRS 25.

#### Consolidation

The accompanying consolidated financial statements include the accounts of the company, as well as its wholly-owned and majority-owned subsidiaries from the date of their acquisition. All material intergroup accounts and transactions have been eliminated.

#### Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of ON Semiconductor Corporation and is included in the consolidated financial statements of that company which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the ON Semiconductor Corporation group. For details of other related party transactions, please see note 22.

#### Turnover

Turnover comprises the invoiced value of sales, net of value added tax, for goods supplied during the year. Customers are invoiced at the time of delivery of goods.

#### Foreign currencies

The Company's foreign subsidiaries conduct business primarily in U.S. dollars and as a result, utilize the dollar as their functional currency. For the translation of financial statements of these subsidiaries, assets and liabilities that are receivable or payable in cash are translated at current exchange rates while inventories and other non-monetary assets are translated at historical rates. Gains and losses resulting from the translation of such financial statements are included in the operating results, as are gains and losses incurred on foreign currency transactions.

#### Leases

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

#### Tangible fixed assets and depreciation

Property, plant and equipment are recorded at cost and are depreciated over estimated useful lives using accelerated and straight-line methods. Most of the machinery and equipment currently in use are depreciated on a straight-line basis over a useful life of 5 years.

Expenditures for maintenance and repairs are charged to operations in the year in which the expense is incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations in the period realised.

#### Accounting for fixed asset investments

Investments in group undertakings are stated at cost at the date of acquisition less provision for any diminution in value.

# ON Semiconductor Limited

## **Pension and post retirement benefits**

The group operates both defined benefit and contribution pension schemes for the benefit of employees.

### **Defined benefit plans**

The group maintains defined benefit plans covering certain of its employees that provide benefits based on final pensionable pay. The group has adopted FRS 17 and defined benefit pension schemes are measured using fair values. Pension scheme liabilities are measured using the projected unit method calculated by an independent actuary and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability.

Each pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full, net of deferred tax, and presented on the face of the balance sheet. The movement in the scheme surplus/deficit is split between operating and financing items in the consolidated profit and loss account and the consolidated statement of total recognised gains and losses.

### **Defined contribution plans**

Pension contributions are charged to the profit and loss account as incurred.

## **Research and Development**

Research and development costs are expensed as incurred.

## **Inventories**

Inventories are stated at the lower cost or net realisable value. Provision is made for obsolete or slow moving items where appropriate

## **Taxation**

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

### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as 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 balances are not subject to discounting.

# ON Semiconductor Limited

## 2. Turnover

The group is engaged in the design, marketing and sales of a wide variety of semiconductor components. The group has four main product lines: power management and standard analog devices, metal oxide semiconductor (MOS) power devices, high frequency clock and data management devices and standard components.

In December 2004, ON Semiconductor Corporation announced the alignment of new divisions in order to gain maximum efficiencies in market and production processes. The group's reportable segments are aligned internally as the Integrated Power Group (IPG) and the Analog Products Group (APG), while the MOS power devices product line and the standard components are aligned under the IPG.

In addition to direct customers, the group also serves significant original equipment manufacturers indirectly through our distributor and electronic manufacturing service provider customers. Our direct and indirect customers include: (1) leading Original Equipment Manufacturers (O.E.M.) in a broad variety of industries, such as Siemens, Philips, Motorola, Nokia and Sony; (2) global Distributors, such as EBV Elektronik, Avnet, Arrow and Future; (3) Electronic Manufacturing Service Providers (E.M.S.I.), such as Flextronics, Jabil and Solectron.

Information about segments is as follows, in thousands of US Dollars:

<b>Geographical Segments ( by destination)</b>	<b>Group</b>	<b>Group</b>
	<b>2005</b>	<b>2004</b>
	<b>\$000</b>	<b>\$000</b>
Germany	77,230	86,193
France	17,474	18,317
United Kingdom	16,047	16,078
Belgium	12,783	15,571
Italy	11,837	14,674
Turkey	14,464	13,101
Hungary	9,189	10,033
Israel	7,419	8,504
Sweden	7,662	8,102
Spain	6,012	5,045
Other European countries	16,081	17,315
<b>Subtotal</b>	<b>196,198</b>	<b>212,933</b>
<b>Americas</b>	<b>4,211</b>	<b>6,027</b>
<b>Total third party sales</b>	<b>200,409</b>	<b>218,960</b>

In the year to 31 December 2004, in addition to the sales disclosed above, sales to group undertakings of \$6,443,598 were invoiced to ON Semiconductor Trading Ltd.

# ON Semiconductor Limited

By Product Group	Group 2005 \$000	Group 2004 \$000
Integrated Power Group	100,566	112,208
Analog Products Group	99,843	106,752
<b>Third party sales</b>	<b>200,409</b>	<b>218,960</b>

By Customer	Group 2005 \$000	Group 2004 \$000
O.E.M.	93,669	98,784
Distributors	85,646	96,680
E.M.S.I.	21,094	23,496
<b>Third party sales</b>	<b>200,409</b>	<b>218,960</b>

## 3. Interest and similar items

	Group 2005 \$	Group 2004 \$
Bank interest receivable	255,385	122,317
Interest payable on loans from group undertakings	(12,493)	(533,347)
Other finance cost – pension (Note 19)	(169,857)	(171,275)
<b>Net interest payable</b>	<b>(73,035)</b>	<b>(582,305)</b>

## 4. Profit on ordinary activities before taxation

Operating profit is stated after charging / (crediting):

	Group 2005 \$	Group 2004 \$
Auditors' remuneration – audit services	147,363	139,706
Auditors' remuneration – non audit services	100,858	169,816
Depreciation (Note 8)	560,042	553,275
Operating lease rentals – motor vehicles (Note 18)	656,381	634,325
Exchange loss/(gain)	4,022,675	(1,759,688)
Exceptional Item – Restructuring charges	1,334,120	-

# ON Semiconductor Limited

The Auditors' remuneration relating to audit services rendered to the company amounted to \$83,199 at 31 December 2005 (2004: \$59,932).

During the fiscal year ended 31 December 2005, the exceptional restructuring charges related to the relocation of the Grenoble (France) R&D activities to Toulouse (France). This relocation has resulted in the payment of severance indemnities to 13 employees.

## 5. Staff costs

	Group 2005 \$	Company 2005 \$	Group 2004 \$	Company 2004 \$
Wages and salaries	15,398,337	1,201,459	13,352,327	1,279,275
Social security costs	5,915,217	139,148	5,412,879	134,254
Other pension costs (Note 19)	867,576	96,500	411,305	88,566
	22,181,130	1,437,107	19,176,511	1,502,095

The average number of persons employed by the group during the year (excluding directors) was 181 (2004: 169).

The split of the group's employees activity is as follows:

	Group 2005 Number	Company 2005 Number	Group 2004 Number	Company 2004 Number
Research & Development	80	-	73	-
Sales & Marketing	81	7	74	8
Quality	2	-	2	-
Administration	18	-	20	-
	181	7	169	8

## 6. Directors' remuneration

Included in 2005 employee costs in note 5 is directors' remuneration of \$177,820 (2004: \$186,054). This is borne by ON Semiconductor France SAS and represents remuneration for a variety of services performed across the group in addition to the Director role.

During the year, Peter F. Tomlinson was a related party of the group and his partnership (Peter F. Tomlinson & Co.) charged \$65,731.75 (2004: \$85,998) for the provision of his services. As at 31 December 2005, the group was due \$7,970 (2004: \$1,440) to his partnership.

Retirement benefits are accruing to one director under a defined contribution pension scheme. There are no benefits accruing to directors under a defined benefit scheme.

# ON Semiconductor Limited

## 7. Taxation on profit on ordinary activities

	Group 2005 \$	Group 2004 \$
<b>Current tax:</b>		
- UK corporation tax on profits of the year at 30% (2004:30%)	1,058,853	1,795,187
- adjustment in respect of previous years	-	(26,782)
- foreign tax (current year)	(464,719)	(580,448)
- foreign tax (adjustments in respect of prior years)	614,921	24,225
<b>Total current tax</b>	<b>1,209,055</b>	<b>1,212,182</b>
<b>Deferred tax:</b>		
- charge/(credit) for the year	(127,363)	49,645
- adjustment in respect of previous year	13,611	(35,789)
<b>Total deferred tax (Note 15)</b>	<b>(113,752)</b>	<b>13,856</b>
<b>Tax on profit on ordinary activities</b>	<b>1,095,303</b>	<b>1,226,038</b>

The tax assessed for the year is lower (2004: lower) than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	Group 2005 \$	Group 2004 \$ As restated
<b>Profit on ordinary activities before tax</b>	<b>4,588,262</b>	<b>9,701,267</b>
Profit on ordinary activities multiplied by the standard rate in the UK 30% (2004: 30%)	1,376,479	2,910,380
Effects of:		
Expenses not deductible for tax purposes and other permanent differences	152,122	(208,537)
Translation differences	419,774	(454,687)
Capital allowances for the period in excess of depreciation	(73,805)	77,126
Utilisation of tax losses and other deferred tax movements not recognised	(495,732)	(252,060)
Adjustments to tax charge in respect of previous year	495,573	(2,557)
Overseas R&D tax credit	(669,090)	(926,806)
Overseas current tax rate differences	3,734	69,323
<b>Total current tax</b>	<b>1,209,055</b>	<b>1,212,182</b>

# ON Semiconductor Limited

## 8. Tangible fixed assets

	Machinery & Equipment \$
<b>Group</b>	
<b>Cost</b>	
At 1 January 2005	7,832,361
Additions	1,136,385
Disposals	2,264,648
<b>At 31 December 2005</b>	<b>6,704,098</b>
<b>Depreciation</b>	
At 1 January 2005	6,498,916
Charge for year	560,042
Disposals	1,878,024
<b>At 31 December 2005</b>	<b>5,180,933</b>
<b>Net book amount</b>	
<b>at 31 December 2005</b>	<b>1,523,165</b>
at 31 December 2004	1,333,445
	<b>Machinery &amp; Equipment \$</b>
<b>Company</b>	
<b>Cost</b>	
At 1 January 2005	42,765
Additions	3,225
<b>At 31 December 2005</b>	<b>45,990</b>
<b>Depreciation</b>	
At 1 January 2005	26,158
Charge for year	5,743
<b>At 31 December 2005</b>	<b>31,901</b>
<b>Net book amount</b>	
<b>31 December 2005</b>	<b>14,089</b>
31 December 2004	16,607



# ON Semiconductor Limited

## 9. Investments

The company's investments as at 31 December 2005 are as follows:

Company	Shareholdings %	2005 \$	2004 \$
ON Semiconductor France SAS	100	10,400,000	10,400,000
ON Semiconductor Germany GmbH	100	4,400,000	4,400,000
ON Semiconductor Italy S.r.l.	100	1,000,000	1,000,000
ON Semiconductor Canada Trading Corporation	100	1,200,000	1,200,000
SCG Korea Limited	100	600,000	600,000
Other	-	2	2
		<b>17,600,002</b>	<b>17,600,002</b>

Investments in group undertakings are stated at cost at the date of acquisition. The principal activity of all subsidiaries is the sale of electronic devices. Other investments represent a single share in SCG Hong Kong SAR Limited and in ON Semiconductor Industries Singapore Pte Limited.

The company purchased a 100% shareholding in the above entities from fellow group undertakings on 31 December 2003 for a total consideration of \$17,600,002 (£10,042,796). The directors consider that the carrying value of the assets and liabilities acquired at 31 December 2003 represent their fair value at that date as well as at December 31, 2005.

The goodwill arising on the acquisitions of \$362,035 was expensed as an exceptional item as at 31 December 2003 as due to the reorganisation of the group, the directors do not consider it appropriate to apply an extended life to this goodwill.

## 10. Stocks

	Group 2005 \$	Company 2005 \$	Group 2004 \$	Company 2004 \$
Finished goods and goods for resale	<b>1,357,039</b>	<b>1,356,971</b>	1,847,272	1,846,386

The inventories are stored in consignment inventories, either in our customers' premises or in a warehouse located in Utrecht (The Netherlands).

# ON Semiconductor Limited

## 11. Debtors

	Group 2005	Company 2005	Group 2004  As restated	Company 2004
	\$	\$	\$	\$
Trade debtors	24,906,128	24,168,219	23,836,002	23,001,901
Amounts owed by group undertakings	7,601,084	4,159,771	7,938,820	4,862,171
Foreign tax recoverable	5,179,255	-	7,602,579	-
Prepayments and accrued income	76,610	24,401	236,792	22,209
Other debtors	3,277,126	1,975,946	3,475,925	2,146,077
Deferred taxation (Note 15)	160,150	120,739	49,242	130,699
	41,200,353	30,449,076	43,139,360	30,163,057

Included in foreign tax recoverable are amounts due in more than one year of \$3,111,265 (2004: \$5,387,649).

Included in other debtors (both group and company) are amounts due in more than one year of \$1,975,947 (2004: \$2,141,273).

## 12. Creditors: amounts falling due within one year

	Group 2005	Company 2005	Group 2004  As restated	Company 2004
	\$	\$	\$	\$
Trade creditors	1,527,856	607,491	2,598,565	952,581
Amounts due to group undertakings	24,999,041	29,701,744	28,518,494	37,102,545
UK Corporation tax payable	831,350	831,350	1,505,004	1,505,004
Foreign tax payable	102,946	-	-	-
Social security & other payroll liabilities	4,258,912	316,953	3,826,387	105,092
VAT payable	910,637	1,118,257	-	136,627
Accruals	3,929,630	3,181,175	3,348,286	2,876,732
	36,560,372	35,756,970	39,796,736	42,678,581

On 31 December 2005, the amount due to group undertakings by the Company includes a loan for a total amount of \$2,480,000 advanced by ON Semiconductor France SAS. It bears interest at 5.661% per annum.

On 31 December 2004, the amount due to group undertakings by the Company included loans for total amounts of \$7,200,000. These loans were advances from ON Semiconductor Germany GmbH (\$5,600,000) and ON Semiconductor France SAS (\$1,600,000) and bear interest at 7.719% per annum.

# ON Semiconductor Limited

## 13. Creditors: amounts falling due after more than one year

	Group 2005 \$	Company 2005 \$	Group 2004 \$	Company 2004 \$
<b>Intergroup loans</b>	<b>500,003</b>	<b>-</b>	<b>168,461</b>	<b>-</b>

The 2005 loan advanced is from the undertaking SCG Hong Kong SAR Ltd and bears interest at 5.859% per annum.

The 2004 loan advances is from the ultimate parent undertaking and bears interest at 10.5% per annum.

## 14. Provisions for liabilities and charges

### Group

	At 1 January 2005 \$	Utilised during the year \$	Charged to the profit & loss account \$	At 31 December 2005 \$
<b>Restructuring provision</b>	<b>517,414</b>	<b>1,916,866</b>	<b>1,718,000</b>	<b>318,548</b>

### Company

	At 1 January 2005 \$	Utilised during the year \$	Charged to the profit & loss account \$	At 31 December 2005 \$
<b>Restructuring provision</b>	<b>38,556</b>	<b>38,556</b>	<b>-</b>	<b>-</b>

The provisions for liabilities and charges include a restructuring provision for \$268,355 relating to ON Semiconductor France SAS and \$50,193 relating to ON Semiconductor Germany GmbH. Both provisions arose in respect of the reorganisation of the general and administrative functions in Europe associated with ON Semiconductor Corporation restructuring programmes. The costs predominantly relate to redundancy payments.

Within the period ended December 31, 2005, ON Semiconductor France SAS has closed its R&D centre located in Grenoble (France) to concentrate all the R&D resources in one place: Toulouse (France). The restructuring plan amounted to \$1,634,000 and was accrued & expensed within 2005 according to the announcement and the realization of the plan. The costs predominantly related to redundancy payments.

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## 15. Deferred taxation

The group has a deferred taxation asset of \$160,150 as at 31 December 2005 (2004: \$49,242). This, together with the company's deferred taxation asset of \$120,739 at 30% (2004: \$130,699 at 30%) which has been recorded in the company's financial statements comprises:

	Group 2005 \$	Company 2005 \$	Group 2004 \$	Company 2004 \$
Accelerated capital allowances	38,873	11,404	18,221	14,892
Short term timing differences	121,177	109,335	31,021	115,807
<b>Total</b>	<b>160,050</b>	<b>120,739</b>	<b>49,242</b>	<b>130,699</b>
Opening balance	49,243	130,699	150,103	89,756
Deferred tax credit (Note 7)	113,752	(7,016)	(13,856)	30,768
Deferred tax (charge)/credit - Translation	(2,845)	(2,944)	(87,005)	10,175
<b>Closing balance</b>	<b>160,150</b>	<b>120,739</b>	<b>49,242</b>	<b>130,699</b>

## 16. Called up share capital

	2005	2004
Authorised – 5,000,000 ordinary shares of £1 each	£5,000,000	£5,000,000
Allotted and fully paid Ordinary shares : 2,155,371 of £1 each	£2,155,371	£2,155,371
Allotted and fully paid Ordinary shares : 2,155,371 at \$1.7525 each	\$3,777,288	\$3,777,288

Share capital is translated at the rate of exchange ruling at date of change of functional currency and this becomes the historic rate.

## 17. Shareholder's funds

	Group 2005 \$	Company 2005 \$	Group 2004 \$	Company 2004 \$
			<b>As restated</b>	
Profit for the financial year	3,492,959	7,890,448	8,475,229	3,984,518
Actuarial loss on defined pension scheme	(456,691)	-	(180,155)	-
Prior period adjustment	136,838	-	-	-
Opening shareholders' funds	18,911,336	14,992,982	10,616,262	11,008,464
<b>Closing shareholders' funds</b>	<b>22,084,442</b>	<b>22,883,430</b>	<b>18,911,336</b>	<b>14,992,982</b>

Shareholders funds are entirely attributable to equity interests.

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## 18. Operating lease commitments

Annual payments to be made by the group during the year ending 31 December 2006 in respect of motor vehicles and buildings held under operating leases comprise those whose commitments expire as follows:

Group	Land and buildings		Other	
	2005	2004	2005	2004
	\$	\$	\$	\$
- within one year	536,000	-	527,000	235,000
- in two to five years	563,000	947,000	74,000	223,000
	1,099,000	947,000	601,000	458,000

The other assets above relate to motor vehicles and office equipment. Included within the above are amounts due by the company in the year ended 31 December 2006 of \$72,000.

Company	Land and buildings		Other	
	2005	2004	2005	2004
	\$	\$	\$	\$
- within one year	72,000	-	-	-
- in two to five years	-	72,000	-	-
	72,000	72,000	-	-

## 19. Pension commitments

The group has established a number of pension schemes for its employees. They include a funded scheme of the defined benefit type with assets held in a separately administered funds and a defined contribution group personal pension scheme. The principal defined benefit schemes are those in Germany and France.

### Defined benefit scheme

The most recent actuarial valuations of these schemes were carried out at 31 December 2005. The valuation of the schemes used the projected unit method. They were carried out by independent professionally qualified actuaries.

The major assumptions used by the actuaries for both plans were:

	Germany		France	
	2005	2004	2005	2004
	%	%	%	%
Rate of increase in salaries	2.5%	2.5%	2.3%	2.5%
Rate of increase in pensions in payment	2.0%	2.0%	n/a	n/a
Inflation rate	2.0%	2.0%	2.0%	2.0%
Discount rate	4.25%	5.0%	4.25%	5.0%

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The assets in the scheme and the expected rates of return were:

	Long-term rate of return expected 31 December 2005 %	Value at 31 December 2005 \$	Long-term rate of return expected at 31 December 2004 %	Value at 31 December 2004 \$
				As restated
Other assets – insurance contracts	6%	2,163,861	6%	2,156,994
Total market value of assets		2,163,861		2,156,994
Present value of scheme liabilities		(4,362,597)		(4,534,411)
Deficit in scheme		(2,198,736)		(2,377,417)

As a result of an oversight in the prior year, certain pension scheme assets were omitted from the financial statements. These have been restated in the 2004 comparatives.

## Analysis of the amount charged to operating profit:

	2005 \$	2004 \$
Current service cost	137,144	128,139
Past service cost	-	-
Total operating charge	137,144	128,139

## Analysis of the amount charged to other finance income:

	2005 \$	2004 \$
Expected return on pension scheme assets	42,779	38,061
Interest on pension scheme liabilities	(212,636)	(209,336)
Other finance cost	(169,857)	(171,275)

## Analysis of amount recognised in statement of total recognised gains and losses

	2005 \$	2004 \$
Actual return less expected return on pension scheme assets	(41,521)	20,299
Experience losses and gains arising on scheme liabilities	329,684	(24,105)
Changes in assumptions underlying the present value of the scheme liabilities	(744,854)	(176,349)
Actuarial loss recognised in the STRGL	(456,691)	(180,155)

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## Movement in deficit during the year:

	2005 \$	2004 \$ As restated
Deficit at 1 January	(2,377,417)	(3,117,140)
Movement in the year:		
Current service cost	(137,144)	(128,139)
Contributions	80,525	88,809
Other finance income	(169,857)	(171,275)
Actuarial loss	(456,691)	(180,155)
Translation	861,848	1,130,483
Deficit at 31 December	(2,198,736)	(2,377,417)

The full actuarial valuation at 31 December 2005 showed a decrease in the deficit from \$2,377,417 to \$2,198,736.

## History of experience gains and losses

	2005	2004
<b>Difference between the expected and actual return on scheme assets:</b>		
Amount	\$(41,521)	\$20,299
Percentage of scheme assets	(1.9%)	0.9%
<b>Experience gains and losses on scheme liabilities:</b>		
Amount	\$329,684	\$(24,105)
Percentage of the present value of scheme liabilities	7.6%	(0.5)%
<b>Changes in actuarial assumptions</b>		
Amount	\$(744,854)	\$(176,349)
Percentage of the present value of scheme liabilities	(17.1%)	(3.9%)
<b>Actuarial loss charged to the profit and loss account</b>		
Amount	\$(456,691)	\$(180,155)
Percentage of the present value of scheme liabilities	(10.4%)	(4.0%)

## Defined contribution scheme

The group operates a defined contribution group personal pension scheme. Contributions are charged to the profit and loss account as incurred.

The cost of contributions to the group scheme amount to \$421,926 (2004: \$283,166), and are based on pension costs across the group as a whole. An amount of \$342,972 (2004: \$187,247) is included being the outstanding contributions to the group scheme.

## 20. Profits of holding company

Of the profit for the financial year, a profit of \$7,890,448 (2004: \$3,984,518) is dealt with in the accounts of ON Semiconductor Limited. The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented a profit and loss account for the company alone.

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## **21. Parent undertaking and principal subsidiaries**

The immediate holding company is ON Semiconductor Trading Limited, in Bermuda. The ultimate holding company is ON Semiconductor Corporation, incorporated in Delaware, United States of America.

Copies of the group consolidated financial statements can be obtained from 5005 East McDowell Road, Phoenix, AZ 85 008, United States of America.

## **22. Related party transactions**

The group has exercised the exemptions available under the terms of FRS 8 Related Party Disclosures relating to the disclosure of related party transactions with entities that are part of the ON Semiconductor Corporation group. Details of transactions with directors are disclosed in note 6.