LC Fab Limited

Annual report

for the period ended 31 December 2002

Registered no: 4464544

LC Fab Limited

Annual report
for the period ended 31 December 2002

Directors and advisers

Directors

Robert J Fenton - resident in the United States of America
David Brunt
Steve Whitney - resident in the United States of America

Secretary and registered office

Robbins Olivey
Southern House
Guildford Road
WOKING
Surrey
GU22 7UY

Solicitors

Robbins Olivey
Southern House
Guildford Road
WOKING
Surrey
GU22 7UY

Registered auditors

PricewaterhouseCoopers LLP
The Quay
30 Channel Way
Ocean Village
Southampton
Hants
SO14 3QG

Bankers

Lloyds-TSB Bank plc
Ley Court
Barnett Way
Gloucester
GL4 3RT

Directors' report for the period ended 31 December 2002

The directors present their report and the audited financial statements for the period ended 31 December 2002. The company was incorporated on 19 June 2002 and these financial statements cover a six and a half month period.

Principal activities

The principal activity of the company is to contract-manufacture silicon into circuit protection products and switching power products.

Review of business and future developments

The profit and loss account for the period ended 31 December 2002 is set out on page 5. The directors were satisfied with the company's first set of results. The company produces these goods for sale to its shareholders or their affiliates (see Note 22 - Related Party Transactions).

The directors believe that the company will remain profitable in the future.

Results and dividends

The company's profit for the financial period is £56,698. The directors do not recommend the payment of a dividend.

Research and development

The company incurred £101,119 on research and development during the period.

Directors

The directors of the company at 31 December 2002, all of whom have been directors for the whole of the period then ended, are listed on page 1.

Directors' interests

No director held any beneficial interest in the share capital of the company at 31 December 2002 or at any time during the period.

According to the register of directors' interests, 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 period.

Under section 325 of the Companies Act 1985, as modified by statutory instrument 1985 No 802, the directors are exempt from notifying the company of their interests in shares in a body corporate incorporated outside Great Britain.

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 of the company for that period. 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 accounts; 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 keeping proper accounting records which 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 31 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

The company has passed an Elective Resolution in accordance with the Companies Act 1985 to dispense with the holding of annual general meetings, the laying of accounts and reports before general meetings and the annual reappointment of auditors. PricewaterhouseCoopers LLP will, accordingly, continue in office as auditors of the company pursuant to Section 386 of the Companies Act 1985. However, pursuant to Section 253(2) of the Companies Act 1985, any member or the auditors of the company may require the accounts and reports to be laid before a general meeting by depositing a notice to that effect at the registered office of the company not later than 28 days after the despatch of the accounts and reports to members.

By order of the Board

Robbins Olivey
Secretary
23 October 2003

Independent auditors' report to the members of LC Fab Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom auditing standards issued by the Auditing Practices Board. 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 the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

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 at 31 December 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southampton
23 October 2003

Profit and loss account
for the period ended 31 December 2002

	Notes	19 June 2002 to 31 December 2002 £
Turnover	2	1,157,433
Cost of sales		(1,015,000)
Gross profit		142,433
Administrative expenses		(53,411)
Operating profit	3	89,022
Interest receivable and similar income		8,024
Interest payable and similar charges	4	(16,048)
Profit on ordinary activities before taxation		80,998
Taxation	7	(24,300)
Retained profit for the financial period	16	56,698

All of the above activities are derived from continuing operations.

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

Balance sheet as at 31 December 2002

	Notes	2002 £
Fixed assets		
Intangible assets	8	190,833
Tangible assets	9	3,857,781
		4,048,614
Current assets		
Stocks	10	301,366
Debtors	11	566,345
Cash at bank and in hand		22,334
		890,045
Creditors: amounts falling due within one year	12	(661,658)
Net current assets		228,387
Total assets less current liabilities		4,277,001
Creditors: due after more than one year	13	(223,903)
Provisions for liabilities and charges	14	(24,300)
Net assets		4,028,798
Capital and reserves		
Called up share capital	15	3,972,100
Profit and loss account	16	56,698
Equity shareholders' funds	17	4,028,798

The financial statements on pages 5 to 19 were approved by the board of directors on 28 October 2003 and were signed on its behalf by:

D Brunt
Director

Cash flow statement
for the period ended 31 December 2002

	Notes	2002 £
Net cash outflow from operating activities		(77,135)
Returns on investments and servicing of finance		
Interest paid		(8,024)
Taxation		
UK corporation tax paid		-
Capital expenditures		
Purchase of tangible fixed assets		(3,991,010)
Purchase of intangible fixed assets		(197,500)
Net cash flow from capital expenditures		(4,188,510)
Net cash outflow before financing		(4,273,669)
Financing		
Issue of ordinary share capital		3,972,100
Increase in third party borrowings		323,903
Net cash inflow from financing		4,296,003
Increase in net cash		22,334
Reconciliation to net (debt)/cash		
Net cash at 19 June		-
Increase in net cash		22,334
Movement in net borrowings		(323,903)
Net (debt)/cash at 31 December	19	(301,569)

Reconciliation of operating profit to net cash inflow from operating activities

	2002 £'000
Operating profit from continuing activities	**89,022**
Amortisation of intangible fixed assets	6,667
Depreciation of tangible fixed assets	133,229
Increase in stocks	(301,366)
Increase in debtors	(566,345)
Increase in creditors	561,658
Net cash outflow from operating activities	(77,135)

Notes to the financial statements for the period ended 31 December 2002

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

Accounting convention

The financial statements have been prepared in accordance with the historical cost convention.

Intangible fixed assets

Intangible fixed assets are stated at cost less amortisation. Amortisation is provided to write off the cost by equal instalments over its estimated useful economic life of 10 years.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

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:

Leasehold property	-	Life of lease
Leasehold improvements	-	The shorter of the life of the lease and 10 years
Plant and machinery	-	10 years
Computer equipment	-	5 years

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price assumption is used. For work in progress manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of direct labour and attributable production overheads.

Taxation

The charge for taxation is based on the profit for the year and takes account of taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision for deferred tax is made, on an undiscounted basis, using the liability method for timing differences where there is an obligation to pay more tax, or a right to pay less tax, in the future.

Taxation (continued)

A net deferred tax asset is 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 in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Pension costs

The company currently operates a defined contribution pension scheme. Contributions are charged to the profit and loss in the period to which they relate. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

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 of losses on translation are included in the profit and loss account.

Finance and operating leases

Assets acquired under finance leases are included under the relevant category of fixed assets at their fair value and depreciated over their useful life. The capital element of future lease rentals payable is included as appropriate under creditors due within or after one year. The interest element of lease rentals is charged to the profit and loss account over the primary period of the lease. Operating lease rentals are charged to the profit and loss account in the period in which they become payable.

Research and development

Research and development expenditure is written off as incurred.

Turnover

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

2 Analysis by geographical area

The analysis by geographical area of the group's turnover by destination is set out below:

	2002 £
Geographical segment	
United Kingdom	899,272
Rest of World	258,161
	1,157,433

All turnover arose from the principal activity of the company.

3 Operating profit

	2002 £
Operating profit is stated after charging	
Auditors' remuneration	11,760
Intangible assets amortisation	6,667
Depreciation on owned assets	133,229
Hire of plant and machinery	2,990
Exchange gains	663
Research and development expenditure	101,119

4 Interest payable and similar charges

	2002 £
On bank loans, overdrafts and other loans wholly repayable within five years	16,048

5 Directors' emoluments

	2002 £
Aggregate emoluments	37,488
Company contributions to a money purchase scheme	3,731

Retirement benefits are accruing to no directors.

6 Employee information

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

	2002 Number
Manufacturing	37
Research and development	6
Administration	6
	49

The aggregate payroll costs of these persons were as follows:

	2002 £
Wages and salaries	372,400
Social security costs	32,659
Other pension costs (note 18)	18,716
	423,775

7 Taxation on the profit for the period

	2002 £
Current tax:	
UK corporation tax on profits of the period	-
Deferred tax:	
Origination and reversal of timing differences	24,300
Tax on profit on ordinary activities	24,300

The current tax assessed for the period (£ nil) is lower than the standard rate of corporation tax in the UK (30%). The difference is explained below:

	2002 £
Profit on ordinary activities before tax	80,998
Profit on ordinary activities multiplied by standard rate in the UK 30%	24,300
Effects of:	
Accelerated capital allowances and other timing differences	(24,300)
Current tax charge for the period	-

There are no special factors affecting the future tax position, which therefore can be anticipated as being broadly similar to the current period.

8 Intangible fixed assets

	"Know-how" acquired £
Cost	
Additions during period	197,500
At 31 December 2002	**197,500**
Amortisation	
Charge for period	6,667
At 31 December 2002	**6,667**
Net book value	
At 31 December 2002	**190,833**

See also note 22 – Related party transactions

9 Tangible fixed assets

	Long leasehold land and buildings	Leasehold improvements	Plant and machinery	Office equipment	Total
	£	£	£	£	£
Cost					
Additions during period	1,400,000	400,000	2,163,510	27,500	3,991,010
At 31 December 2002	**1,400,000**	**400,000**	**2,163,510**	**27,500**	**3,991,010**
Depreciation					
Charge for period	14,141	18,333	98,234	2,521	133,229
At 31 December 2002	**14,141**	**18,333**	**98,234**	**2,521**	**133,229**
Net book amount at 31 December 2002	**1,385,859**	**381,667**	**2,065,276**	**24,979**	**3,857,781**

See also note 22 – Related party transactions

10 Stocks

	2002
	£
Raw materials and manufactured components	133,716
Work in progress	167,650
	301,366

11 Debtors

	2002
	£
Amounts due from related parties (Notes 22a and 22b)	556,941
Prepayments and accrued income	9,404
	566,345

12 Creditors: amounts falling due within one year

	2002 £
Current portion of long term loan	100,000
Amounts due to related parties (Notes 22a and 22b)	271,655
Trade creditors	162,931
Other taxation and social security	100,813
Accruals	26,259
	661,658

13 Creditors: amounts falling due after more than one year

	2002 £
Long term loan from bank	223,903

The amounts due to group undertakings are unsecured, non-interest bearing and repayable with notice of not less than 365 days.

Maturity of debt

	2002 £
In one year or less, or on demand	100,000
In more than one year, but not more than two years	83,388
In more than two years, but not more than five years	140,515
	323,903

The bank loan bears interest at 1.75% over base and is secured on the long leasehold property owned by the company.

14 Provisions for liabilities and charges

A deferred tax liability has been provided as follows:

	2002 £'000
Deferred taxation	
Charge to the profit and loss account	24,300
At 31 December 2002	24,300

Deferred tax provided relates mainly to accelerated capital allowances.

15 Called up share capital

	2002 £'000
Authorised	
3,000,000 "A" ordinary shares of £1 each	3,000,000
2,000,000 "B" ordinary shares of £1 each	2,000,000
	5,000,000
Allotted, called up and fully paid	
2,383,260 "A" ordinary shares of £1 each	2,383,260
1,588,840 "B" ordinary shares of £1 each	1,588,840
3,972,100 ordinary shares of £1 each	3,972,100

The "A" ordinary and "B" ordinary shares rank pari passu in all respects.

16 Profit and loss account

	£'000
Profit for the financial period	56,698
At 31 December 2002	56,698

17 Reconciliation of movements in shareholders' funds

	2002 £
Profit retained for the period	56,698
Issue of ordinary shares	3,972,100
Net addition to shareholders' funds	4,028,798
Opening shareholders' funds	-
Closing shareholders' funds	4,028,798

18 Pension obligations

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £18,716. At 31 December 2002, contributions amounting to £18,716 were payable to the fund and are included in creditors.

19 Reconciliation of movements in net (debt)/cash

	As at 19 June 2002 £	Cash flow £	As at 31 December 2002 £
Cash at bank	-	22,334	22,334
Debt due within one year	-	(100,000)	**(100,000)**
Debt due after one year	-	(223,903)	**(223,903)**
Net increase in borrowings	-	(323,903)	**(323,903)**
Net (debt)/cash	-	(301,569)	**(301,569)**

	2002 £
Movement in net borrowings	
Loans from bank during period	373,734
Repayment of part of bank loan	(49,831)
Net cash inflow from borrowings	323,903

20 Financial commitments

No capital commitments existed at the end of the period.

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

	Other (non-property) £	Total 2002 £
Date of lease termination		
In the second to fifth years inclusive	*883*	*883*
	883	883

21 Contingent liabilities

No significant contingent liabilities existed as at 31 December 2002.

22 Related party transactions

The following transactions took place between the company and Silicon Power group (the ultimate controlling party of FRC Investments Limited) and Littelfuse Inc. group during the year:

1) subscriptions for share capital on 15 July 2002 by each of the two shareholders;

2) purchase of fixed assets, know how and inventory from Semitron Limited on 15 July 2002, which was a wholly owned subsidiary of FRC Investments Limited at that date. Semitron was subsequently sold to Littelfuse Inc. later on the same day;

3) sales by the company to its two shareholders during the year, based on a cost plus arrangement. The company's entire turnover is derived from sales to its shareholders or their affiliates;

4) recharges of expenses incurred initially by the two shareholder groups but recharged to the company at cost.

The amounts involved in the transactions are summarised in the analyses below: -

(a) Transactions during the period with Silicon Power group companies

	2002 £
Share capital issue	**2,383,260**
Tangible assets acquired	**(3,991,010)**
Intangible assets acquired	**(197,500)**
Stock acquired	**(175,000)**
Sales by LC Fab	**262,578**
Expenses incurred by Silicon Power group companies recharged to LC Fab at cost	**(19,515)**
Cash received / (paid) net amount	**1,664,149**
Net amount due to Silicon Power group companies at 31 December 2002	**(73,038)**

Amounts due from/(to) related party	2002 £
Included in debtors	**33,608**
Included in creditors	**(106,646)**
Net amount due to Silicon Power group companies at 31 December 2002	**(73,038)**

22 Related party transactions (continued)

(b) Transactions during the period with Littelfuse group companies

	2002 £
Share capital issue	1,588,840
Sales by LC Fab	894,855
Net expenses incurred by Littelfuse Inc. group companies recharged to LC Fab at cost and LC recharged to Littelfuse.	(22,373)
Cash received / (paid) net amount	(2,102,998)
Net amount due from Littelfuse Inc. group companies at 31 December 2002	358,324

Amounts due from/(to) related party	2002 £
Included in debtors	523,333
Included in creditors	(165,009)
Net amount due from Littelfuse Inc. group companies at 31 December 2002	358,324

23 Immediate and ultimate controlling parties

According to the register kept by the company, FRC Investments Limited had a 60% interest and Littelfuse Inc., a company registered in the United States of America, had a 40% interest in the equity capital of LC Fab Limited at 31 December 2002.

The directors regard both Silicon Power Corporation, a company registered in the United States of America, and Littelfuse Inc. as joint ultimate controlling parties.

Copies of the consolidated financial statements of FRC Investments Limited, the immediate parent company, can be obtained from the Secretary, Robbins Olivey, Southern House, Guildford Road, Woking, Surrey, GU22 7UY.