Amplifon United Kingdom Limited

Report and Financial Statements

Registered number 5803524

31 December 2009

Contents

Company Information

1. Directors
F Moscetti
S Fleming
A R Webb
G Ferraroli

2. Secretary
A R Webb

3. Registered Office
Ultravox House
Styal Road
Manchester
M22 5WY

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

Principal activities

The principal activity of the company is a holding company The company operates within the United Kingdom

Business Review

The ultimate parent, Amplifon S p A will continue to financially support the UK whilst initiatives to improve profitability and cash flow are implemented

During the year the company adopted FRS20 "Share-based Payment" This requires the fair value of options and share awards to be charged to the profit and loss account over the vesting, or performance, period Previously, only the intrinsic value of the cost of the potential awards for the long term incentive plans was recognised as an expense The impact of implementing the standard was to reduce profit by £66,310 (2008 restated £67,203) although shareholders funds were unaffected since the charge was offset by a corresponding credit to equity

The profit for the period was £66,000(2008 loss restated £2,474,000)

The results of the company for the period are set out on page 7 of the financial statements

Principal risks and uncertainties

The subsidiaries are currently trading at a loss and cash flow is negative The Directors have the full support of the parent company to continue to invest in the UK operations, while re-organisation plans continue, to make the UK group ready for future market growth

Directors

The directors who held office during the financial period and until the signing of this report are as follows

F Moscetti
S Fleming
A R Webb
G Ferraroli (appointed 23 December 2008)

Political and charitable donations

The company and its subsidiaries made no political or charitable donations during the period

Future developments

The Amplifon United Kingdom Limited Group is being re-organised and rationalised to become more effective and efficient in the United Kingdom market This will include continuing significant investment in the business and information management systems in conjunction with the ultimate parent company, Amplifon S p A

Employees

It is the company's policy that employees should be kept as fully informed as is practicable about the company's progress through regular visits to branches by head office staff

Directors' report *(continued)*

Employees (continued)

It is the policy of the company that there should be no unfair discrimination in considering applications for employment including any necessary re-training All employees, whether or not disabled, are given equal opportunities to develop their experience and knowledge and to qualify for promotion in furtherance of their careers

Persons who become disabled during the course of their employment with the company may be redeployed, if required, with due consideration being given to the individual's skills and abilities

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with this report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

The appointment of Price Waterhouse Coopers LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

A R Webb
Secretary
5 March 2010

Ultravox House
Styal Road
Manchester
M22 5WY

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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 UK 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 keeping proper books of account that are sufficient to show and explain the company's transactions and 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 2006 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

Independent auditors' report

to the members of Amplifon United Kingdom Limited

Independent auditor's report to the members of Amplifon United Kingdom Limited

We have audited the financial statements of Amplifon United Kingdom Limited for the year ended 31 December 2009 which comprise Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, and the related notes 1 to 16 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report

to the members of Amplifon UK Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Barry Flynn (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Manchester

9 March 2010

Profit and loss account
for the year ended 31 December 2009

	Notes	31 December 2009 £'000	31 December 2008 Restated £'000
Administrative expenses		(66)	(70)
Operating loss		(66)	(70)
Other interest receivable and similar income	6	132	264
Interest payable and similar charges	7	-	(2,668)
Profit/(loss) on ordinary activities before taxation	2	66	(2,474)
Tax on profit/(loss) on ordinary activities	8	-	-
Profit/(loss) on ordinary activities after taxation for the period		66	(2,474)

All activities were derived from continuing operations

Statement of total recognised gains and losses
for the year ended 31 December 2009

There have been no recognised gains or losses in either the current or preceding period other than those passing through the profit and loss account

Balance sheet
at 31 December 2009

	Notes	31 December 2009 £'000	31 December 2008 Restated £'000
Fixed assets			
Fixed asset Investments	9	26,255	26,255
		26,255	26,255
Current assets			
Debtors	10	3,447	3,314
Cash at bank and in hand		5	6
		3,452	3,320
Creditors amounts falling due within one year	12	(7,835)	(7,835)
Net current liabilities		(4,383)	(4,515)
Total assets less current liabilities		21,872	21,740
Net Assets		21,872	21,740
Capital and reserves			
Called up share capital	13	59,000	59,000
Other reserves	14	6,000	6,000
Profit and loss account	14	(43,128)	(43,260)
Shareholders' funds		21,872	21,740

These financial statements were approved by the board of directors on 5 March 2010 and were signed on its behalf by

S Fleming
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2009

	12 months 31 December 2009 £'000	12 months 31 December 2008 Restated £'000
Opening shareholders' funds	21,740	(8,853)
Profit/(loss) for the financial period	66	(2,474)
Share based payments	66	67
New shares issued	-	33,000
Net change in shareholders' funds	132	30,593
Closing shareholders' funds	21,872	21,740

Notes to the financial statements
For the year ended 31 December 2009

1 Accounting policies

Basis of preparation

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements

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

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group accounts These financial statements present information about the company as an individual undertaking and not about its group

In preparing the financial statements for the current year, the company has adopted FRS 20 "Share-based Payment" The adopting of FRS 20 has resulted in a change in accounting policy for the share-based payment transactions FRS 20 requires the fair value of options and share awards which ultimately vest to be charged to the profit and loss account over the vesting or performance period For equity-settled transactions the fair value is determined at the date of the grant using an appropriate pricing model For cash settled transactions fair value is initially at the grant date and at each balance sheet date thereafter until the awards are settled If an award fails to vest as a result of certain types of performance conditions not being satisfied, the charge to the income statement will be adjusted to reflect this

Previously, the company recognised only the intrinsic value or cost of the potential awards for the long term incentive plans as an expense The impact of this change in accounting policy is to increase the loss before tax for the year ended 31 December 2008 from £2,407,000 to £2,474,000, as shown in the restated profit and loss account on page 7 Shareholders' funds are unaffected as the charge is offset by a corresponding credit to equity

Going concern

The company is dependant on the ongoing support from the parent company Amplifon S p A The Directors have undertakings from Amplifon S p A that this support will continue for the foreseeable future

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 Amplifon S p A , 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 Amplifon S p A , within which this company is included, can be obtained from the address given in note 16

Interest Income

Revenue is recognised as interest accrues

Notes to the financial statements *(continued)*
For the year ended 31 December 2009

1 Accounting policies *(continued)*

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the exception of deferred tax assets

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

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

Investments

Investments are stated at cost less provision for permanent diminution in value

Notes to the financial statements *(continued)*
For the year ended 31 December 2009

1 Accounting policies *(continued)*

Share-based Payments – Equity settled transaction

The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award Fair value is determined by using an appropriate pricing model In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above The movement in cumulative expense since the previous balance sheet date is recognised in the income statement with a corresponding entry in equity

Where the terms of an equity-settled award are modified or a new standard is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification No reduction is recognised if this difference is negative

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense on the income statement

Notes to the financial statements *(continued)*
For the year ended 31 December 2009

2 Profit/(loss) on ordinary activities before taxation

	31 December 2009 £'000	31 December 2008 £'000
Profit/(loss) on ordinary activities before taxation is stated after charging		
Auditor's remuneration	-	3
	-	3

The costs of auditing were borne by an associated company in the group for 2009

3 Share-based Payments

a General Characteristics

Share options are granted to certain beneficiaries covering key positions within the group There are no cash settlement alternatives

The expense recognised for share-based payments in respect of employee services received during the year to 31 December 2009 is £66,000 (2008 Restated £67,000)

b First assignment of share options (15 March 2007)

On 15 March 2007, the Amplifon S p A Board of Directors resolved an assignment of stock options under the following terms and conditions

- One third of the rights assigned to employees mature one year after the assignment date, one-third two years after the assignment date and the remaining portion three years after the assignment date
- For each assigned option right, the exercise and therefore the subsequent related subscription of Amplifon S p A ordinary shares must take place within seven years, starting from the date of maturity
- Non exercised rights shall be automatically lost after such term
- The price per share which the beneficiary shall pay to Amplifon S p A for the subscription following the exercise of the option rights shall be equal to the price per share corresponding to the average of the prices reported in the last month before the assignment date, that is £6 140 (€6 914)
- The exercise of the matured option rights shall take place in one or several tranches, as long as the minimum quantity for each tranche is equal to 1,000 rights

c. Second assignment of share options (18 December 2008)

On 18 December 2008, the Amplifon S p A Board of Directors resolved an assignment of stock options under the following terms and conditions

- The options rights granted to each beneficiary mature and therefore give right to the subsequent related subscription of Amplifon S p A ordinary shares, for an amount of 50% after two years and one day from the assignment date and the remaining portion after three years and one day from the assignment date
- For each assigned option right, the exercise and therefore the subsequent related subscription of Amplifon S p A ordinary shares must take place within five years, starting from the date of maturity
- Non exercised rights shall be automatically lost after such term
- The price per share which the beneficiary shall pay to Amplifon S p A for the subscription following the exercise of the option rights shall be equal to the price per share corresponding to the average of the prices reported in the last month before the assignment date, that is £0 653 (€0 735)
- The exercise of the matured option rights shall take place in one or several tranches, as long as the minimum quantity for each tranche is equal to 1,000 rights

Notes to the financial statements *(continued)*
For the year ended 31 December 2009

3 Share-based Payments *(continued)*

d. Third assignment of share options (6 November 2009)

On 6 November 2009, the Amplifon S p A Board of Directors resolved an assignment of stock options under the following terms and conditions

- The options rights granted to each beneficiary mature and therefore give right to the subsequent related subscription of Amplifon S p A ordinary shares, for an amount of 50% after two years and one day from the assignment date and the remaining portion after three years and one day from the assignment date
- For each assigned option right, the exercise and therefore the subsequent related subscription of Amplifon S p A ordinary shares must take place within five years, starting from the date of maturity
- Non exercised rights shall be automatically lost after such term
- The price per share which the beneficiary shall pay to Amplifon S p A for the subscription following the exercise of the option rights shall be equal to the price per share corresponding to the average of the prices reported in the last month before the assignment date, that is £2 520 (€2 837)
- The exercise of the matured option rights shall take place in one or several tranches, as long as the minimum quantity for each tranche is equal to 1,000 rights

e. Movements in the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year

	Plan 2007		Plan 2008		Plan 2009	
	2008	2009	2008	2009	2008	2009
Outstanding at 1 January	65,000	65,000	-	290,000	-	-
Exercised during the year	-	-	-	-	-	-
Granted during the year	-	-	290,000	-	-	120,000
Lapsed during the year	-	-	-	-	-	-
Outstanding at 31 December	65,000	65,000	290,000	290,000	-	120,000
Exercisable at 31 December	-	21 666	-	-	-	-

Total Stock Option at 31 Dec 2009	WAEP
475 000	£1 876

For the share options outstanding at 31 December 2009, the weighted average remaining contractual life is 7 years (2008 6 13 years from 31 December 2008 to end of exercise period)

The weighted average fair value of options granted during the year was £2 52 (2008 £0 653) The range of exercise prices for options outstanding at the end of the year was £0 653 - £6 140 (2008 £0 653 - £6 140)

Notes *(continued)*
For the year ended 31 December 2009

f. Determination of the share-based payment value

The fair value of share-based payments is estimated as at the date of the stock option grant using the Binomial model, taking into account the terms and conditions upon which the options were granted The following table lists the inputs to the model used for the years ended 31 December 2009 and 31 December 2008

	2009	2008
Dividend Yield (%)	1%p a	1%p a
Share price volatility	First Tranche Historic volatility 7 years 42,29% Second Tranche Historic volatility 8 years 41,45%	Historic volatility at one year 35%
Risk-free interest rate (%)	Curve *Forward* Euro	Euroswap – Applying Bootstrap Tecnic
Expected life of options (years)	5 years	5 years
Weighted average share price (£)	£1 94 (€2 18)	£1 72 (€1 94)

4 Remuneration of directors

No Director has received remuneration for the period other than share-based payments

5 Staff numbers and costs

There are no employees under contracts of service

6 Interest receivable

	31 December 2009 £'000	31 December 2008 £'000
Intercompany loan interest receivable	132	264
	132	264

7 Interest payable

	31 December 2009 £'000	31 December 2008 £'000
Intercompany loan interest payable	-	2,668
	-	2,668

Notes *(continued)*
For the year ended 31 December 2009

8 Taxation

Analysis of the charge in the period	31 December 2009 £'000	31 December 2008 £'000
UK Corporation tax		
UK Corporation Tax on profits/(loss) for the year	-	-
Adjustments in respect of prior years	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Deferred tax	-	-
Total tax (credit)/charge	-	-

	31 December 2009 £'000	31 December 2008 Restated £'000
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	66	(2,474)
Current tax @ 28% (2008 28 5%)	18	(705)
Effects of		
Expenses not deductible for tax purposes	-	-
Share-based payments	18	19
Other timing differences	-	760
Group Relief not paid for	(36)	(74)
Total current tax credit (see above)	-	-

The company has £1,776,000 (2008 £1,758,000) in respect of unrecognised deferred tax assets as at 31 December 2009 This relates to interest payable, not allowed, payable to Amplifon S p A on the basis that the company is an overseas connected corporate and it will not be paid within 12 months of the balance sheet date

Notes *(continued)*
For the year ended 31 December 2009

9 Investments

	2009 £'000	2008 £'000
At 1 January 2009 and 31 December 2008	26,255	26,255

Key assumptions used in value in use calculations
The calculation of value in use for the investment held by Amplifon UK limited is most sensitive to Earning before interest, tax, depreciation and amortisation (EBITDA) and Discount rate

EBITDA for the next three years has been defined based on expected volume of sales and cost of sales, considering also overhead costs in the budgeted periods

Discount rates reflect management's estimate of the Company's weighted average cost of capital (WACC)

Sensitivity to changes in assumptions
With regard to the assessment of the value in use of the investment, management believes that any reasonably possible adverse change in any of the above key assumptions would not cause the carrying value of the unit to exceed its recoverable amount and an impairment loss to be recognised in the current year

To support this view sensitivity is disclosed below

EBITDA –20% fall in EBITDA flows would result in a value in use equal to the carrying amount of the investment

Discount rate – 1 6% increase in discount rate would result in a value in use equal to the carrying amount of the investment

The companies in which the company's or subsidiaries' interest at the period end is more than 20% are as follows

Subsidiary undertakings	Principal activity	Percentage of shares held
Ultravox Holdings Limited	Holding Company	100%
Amplifon Limited *	Consultants, distributors and dealers of hearing aids	100%
Ultratone Limited *	Non trading	100%
Hearing Health Limited *	Non trading	100%
Ultra Finance Limited *	Credit finance for related companies	100%
BHHC Limited *	Non trading	100%
Ultravox Asset Management Limited *	Non trading	100%
Amplivox (Holdings) Limited *	Non trading	100%
Sietech Hearing Limited	Non trading	100%
Amplifon Ireland Limited*	Consultants, distributors and dealers of hearing aids	75%

* Held by subsidiary undertaking

The above companies are registered in England, Wales and Ireland

Notes *(continued)*
For the year ended 31 December 2009

10 Debtors

	2009 £'000	2008 £'000
Amounts owed by subsidiary undertakings	3,447	3,314
	3,447	3,314

The company has a commercial loan with its subsidiary undertaking, Ultravox Holdings Limited The loan is repayable on demand The rate of interest receivable on the loan is 3 0% above the Bank of England base rate

11 Deferred tax

There is an unrecorded deferred tax asset of £1,776,000 (2008 £1,758,000) relating to interest payable, not allowed, payable to Amplifon S p A on the basis the company is an overseas connected corporate and it will not be paid within 12 months of the balance sheet date

12 Creditors. amounts falling due within one year

	2009 £'000	2008 £'000
Amounts owed to group undertakings	7,835	7,835
	7,835	7,835

13 Called up share capital

	2009 £'000	2008 £'000
Authorised		
Ordinary shares of £1 each	59,000	59,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	59,000	59,000

Notes *(continued)*
For the year ended 31 December 2009

14 Other reserves (restated)

	Other reserves £'000	Profit & Loss Restated £'000	Total £'000
At 1 January 2008	6,000	(40,853)	(34,853)
Loss for the period	-	(2,474)	(2,474)
Share-based payment	-	67	67
At 31 December 2008	6,000	(43,260)	(37,260)
Profit for the period	-	66	66
Share-based payment	-	66	66
At 31 December 2009	6,000	(43,128)	(37,128)

15 Commitments and contingent liabilities

(i) There were no capital commitments at the end of the period

(ii) There were no annual commitments under non-cancellable operating leases

(iii) The company has given its bankers unlimited cross guarantees in favour of all group companies Group borrowings subject to cross guarantees at the period end amounted to £nil (2008 £nil)

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

The immediate and ultimate parent company of Amplifon United Kingdom Limited is Amplifon S p A , a company incorporated and registered in Italy

The largest and smallest group in which the results of the company are consolidated is that headed by Amplifon S p A The consolidated financial statements of the group are available to the public and may be obtained from Amplifon S p A , Via G Ripamonti 133, 20141 Milan, Italy