

**AMPHENOL LIMITED**

**Report and Financial Statements**

**31 December 1999**



**REPORT AND FINANCIAL STATEMENTS 1999**

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**REPORT AND FINANCIAL STATEMENTS 1999**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Martin Hans Loeffler  
Edward Gehr Jepsen

**SECRETARIES**

Abogado Nominees Limited  
Edward Charles Wetmore

**REGISTERED OFFICE**

Thanet Way  
Whitstable  
Kent CR5 3JF

**BANKERS**

National Westminster Bank Plc  
140 High Street  
Herne Bay  
Kent CT6 5JX

**SOLICITORS**

Baker & McKenzie  
100 New Bridge Street  
London EC4V 6JA

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Hill House  
1 Little New Street  
London EC4A 3TR

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

### **ACTIVITIES**

The principal activities of the Company consist of the design, development, manufacturing and marketing of connectors and connector systems, flat cable and unit assemblies for diversified markets.

### **REVIEW OF DEVELOPMENTS**

During the past year the company has maintained its focus on its main strategic markets of Military & Aerospace, Telecoms and Industrial, whilst also taking a significant step in its penetration of the UK Mass Transit market. By continuing to focus on higher margin, higher growth application specific products, and also continuing to transform the business from a connector producer to a recognised provider of interconnection system solutions, the company has been able to offset the effect of increasing pricing pressures within some of its traditional market sectors. Key to the success of this strategy is the need to be a leader in New Product Development by using dedicated product design teams working in close collaboration with customers.

### **FUTURE PROSPECTS**

With its Key Account philosophy entrenched throughout its UK operations, and its ongoing quest for continual improvement, the directors are optimistic about future trading prospects.

### **RESULTS AND DIVIDENDS**

The profit for the year after taxation, amounted to £1,151,000 (1998 - £4,274,000). Dividends of £3,084,000 were paid during the year (1998 - £5,922,000).

### **DIRECTORS AND THEIR INTERESTS**

Martin H Loeffler

Edward G Jepsen (appointed 1 March 1999)

John B Backhouse (resigned 1 March 1999)

No director has any interests in the share capital of the company. As the company is ultimately wholly owned by a body corporate incorporated outside Great Britain, the directors are not required to notify the company of interests in shares or debentures of that or any other member of the group incorporated outside Great Britain.

### **RESEARCH AND DEVELOPMENT**

During 1999 the company continued its research and development in both the commercial/industrial and military/avionics fields. Costs charged to the profit and loss account amounted to £818,000 (1998 - £780,000).

### **CHARITABLE DONATIONS**

During the year the group made charitable donations amounting to £ 7,232 (1998 - £3,726).

### **EMPLOYMENT POLICY**

The company has continued to expand its communication methods to inform, advise, consult and negotiate on the different aspects of the business. These include:

- a complete briefing structure for all levels of employees on a monthly basis where information is given regarding the company's results and forecasts covering overall functions and departmental issues;
- consultations with trade unions; and
- regular meetings with elected and non-affiliated staff representatives.

## DIRECTORS' REPORT

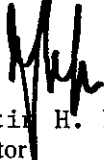
The company's policy in relation to the employment of disabled persons is:

- full consideration is given to job applications received from disabled persons. Where disabled persons have the aptitudes and abilities necessary for the job, sympathetic consideration is given to their application;
- where an employee becomes disabled whilst employed by the company, arrangements are made wherever possible for retraining in order to perform a job identified as appropriate to the aptitudes and abilities of the individual concerned; and
- encouragement is given in the retraining, career development and promotion of all employees including disabled employees.

## AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

  
Martin H. Loeffler  
Director

9 March 2001

## **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 as at the end of the financial year 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;
- 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 to 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.

## **AMPHENOL LIMITED**

### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the financial statements on pages 6 to 15 which have been prepared under the accounting policies set out on page 9.

#### **Respective responsibilities of directors and auditors**

As described on page 4 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.


#### **Basis of opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche**

Chartered Accountants and  
Registered Auditors

28 March 2001

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1999**

	Note	1999 £'000	1998 £'000
<b>TURNOVER</b>	2	41,417	41,593
Cost of sales		(34,044)	(30,982)
Gross profit		<u>7,373</u>	<u>10,611</u>
Distribution costs		(2,507)	(2,466)
Administrative expenses		(4,238)	(3,287)
		<u>(6,745)</u>	<u>(5,753)</u>
<b>OPERATING PROFIT</b>	4	628	4,858
Net interest payable and similar charges	5	(39)	(54)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>589</u>	<u>4,804</u>
Tax credit/(charge) on profit on ordinary activities	6	562	(530)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>		<u>1,151</u>	<u>4,274</u>
Dividends	7	(3,084)	(5,922)
<b>RETAINED LOSS</b>	14	<u>(1,933)</u>	<u>(1,648)</u>

There are no recognised gains or losses for the current and prior years other than as stated above.

All results are from continuing operations.




**BALANCE SHEET**  
**31 December 1999**

	Note	1999 £'000	1998 £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	6,440	6,602
<b>CURRENT ASSETS</b>			
Stock	9	8,271	8,842
Debtors	10	15,207	14,244
Cash		956	-
		24,434	23,086
<b>CREDITORS: amounts falling due</b>			
Within one year	11	(22,753)	(22,350)
<b>NET CURRENT ASSETS</b>		1,681	736
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		8,121	7,338
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	12	-	(617)
		8,121	6,721
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13,14	4,079	4,079
Share premium account	14	140	140
Profit and loss account	14	3,902	2,502
<b>EQUITY SHAREHOLDERS' FUNDS</b>		8,121	6,721

These financial statements were approved by the Board of Directors on 9 March 2001

Signed on behalf of the Board of Directors

  
Martin H. Loeffler  
Director

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**Year ended 31 December 1999**

	1999 £'000	1998 £'000
Profit attributable to shareholders for the year	1,151	4,274
Capital contribution receivable	3,333	-
Dividend paid	(3,084)	(5,922)
	<hr/>	<hr/>
Increase/(reduction) in shareholders' funds	1,400	(1,648)
Shareholders' funds at 1 January	6,721	8,369
	<hr/>	<hr/>
Shareholders' funds at 31 December	8,121	6,721
	<hr/>	<hr/>

# NOTES TO THE ACCOUNTS

Year ended 31 December 1999

## 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

### Accounting convention

The financial statements are prepared under the historical cost convention.

### Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The estimated useful lives of the various categories of assets are as follows:

Freehold buildings	Over 40 years
Leasehold improvements	Over the term of the lease
Plant and machinery	Between 4 and 10 years
Fixtures and fittings	Between 4 and 10 years

### Stocks

Stocks and work-in-progress, are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

### Research and development

Research and development expenditure is written off as incurred.

### Deferred taxation

Deferred taxation is provided in full on timing differences relating to pension and other post retirement benefits calculated at the rates at which it is expected that tax will arise. Deferred taxation is provided on other timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future without replacement, calculated at the rates at which it is expected that tax will arise.

### Leases

Rentals payable under operating leases are charged to the profit and loss account in the period in which rentals fall due.

### Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction.

### Pension costs

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

### Comparative figures

In order to reflect consistent presentation, reclassification of some comparative information has been made in the balance sheet and notes in respect of 1998.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1999**

**2. TURNOVER**

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. Turnover is derived from a single business segment.

An analysis of turnover by geographical market is given below:

	1999 £'000	1998 £'000
UK	31,844	33,112
Rest of Europe	4,673	6,854
Other	4,900	1,627
	<u>41,417</u>	<u>41,593</u>

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1999 £'000	1998 £'000
<b>Directors' emoluments</b>		
Emoluments of the directors	-	69
	<u>No.</u>	<u>No.</u>
<b>Average number of persons employed</b>		
Office and management	180	213
Manufacturing	366	347
	<u>546</u>	<u>560</u>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	9,417	9,580
Social security costs	724	727
Pension costs	140	106
	<u>10,281</u>	<u>10,413</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1999**

**4. OPERATING PROFIT**

	1999 £'000	1998 £'000
Operating profit is after charging/(crediting)		
Research and development costs	818	780
Depreciation - owned assets	1,094	855
Operating lease payments - plant and machinery	573	23
- other	145	439
Rental income	(86)	(124)
Foreign exchange loss	95	73
Auditors' remuneration - audit fees	53	40
- other professional fees	62	48
	<u>          </u>	<u>          </u>

Operating profit for the year ended 31 December 1999 includes a charge of approximately £1million in respect of creditors and stock relating to the year ended 31 December 1998.

**5. NET INTEREST (PAYABLE)/RECEIVEABLE**

	1999 £'000	1998 £'000
Bank interest payable	(39)	(54)
	<u>          </u>	<u>          </u>
	(39)	(54)
	<u>          </u>	<u>          </u>

**6. TAX (CREDIT)/CHARGE ON PROFIT ON ORDINARY ACTIVITIES**

	1999 £'000	1998 £'000
United Kingdom corporation tax at 30.25 % (1999 - 31%)	-	588
Deferred taxation	(617)	(2)
	<u>          </u>	<u>          </u>
	(617)	586
Adjustments to prior years' tax provisions		
Corporation tax	55	(56)
	<u>          </u>	<u>          </u>
	(562)	530
	<u>          </u>	<u>          </u>

The tax charge for the year is low as group relief has been surrendered from other group companies for no consideration.

**7. DIVIDENDS ON ORDINARY SHARES**

	1999 £'000	1998 £'000
Ordinary - paid of 75.6p per share (1998 - 145.2p)	3,084	5,922
	<u>          </u>	<u>          </u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1999**

**8. TANGIBLE FIXED ASSETS**

	Freehold land and buildings £'000	Leasehold improve- ments £'000	Plant and Machinery £'000	Fixtures and fittings £'000	Assets in the course of con- struction £'000	Total £'000
Cost						
At 1 January 1999	5,249	314	14,337	460	429	20,789
Additions	153	-	519	29	245	946
Disposals	-	-	(190)	-	-	(190)
Reclassifications	-	-	349	-	(349)	-
At 31 December 1999	5,402	314	15,015	489	325	21,545
Accumulated depreciation						
At 1 January 1999	2,466	243	11,143	335	-	14,187
Charge for the year	156	12	890	36	-	1,094
Disposals	-	-	(176)	-	-	(176)
Reclassifications	-	-	-	-	-	-
At 31 December 1999	2,622	255	11,857	371	-	15,105
Net book value						
At 31 December 1999	2,780	59	3,158	118	325	6,440
At 31 December 1998	2,783	71	3,194	125	429	6,602

**9. STOCKS**

	1999 £'000	1998 £'000
Raw materials and consumables	5,584	6,103
Work-in-progress	1,221	1,509
Finished goods and goods for resale	1,466	1,230
	8,271	8,842

**10. DEBTORS**

	1999 £'000	1998 £'000
Trade debtors	6,031	7,422
Amounts owed by group undertakings	7,213	5,521
Corporation tax recoverable	8	31
Other debtors	1,381	249
Prepayments and accrued income	574	1,021
	15,207	14,244

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1999**

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	-	630
Trade creditors	3,457	2,894
Amounts owed to group undertakings	18,755	17,815
Current corporation tax	-	598
Other creditors including taxes and social security	155	371
Accruals and deferred income	386	42
	<u>22,753</u>	<u>22,350</u>

**12. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>£'000</b>
<b>Deferred taxation</b>	
Balance at 1 January 1999	617
Release of provision	(617)
	<u>-</u>
Balance at 31 December 1999	<u>-</u>

The amounts provided in the accounts are as follows:

	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
Capital allowances in advance of depreciation	350	630
Other timing differences	(350)	(13)
	<u>-</u>	<u>617</u>

There are no amounts unprovided in the accounts.

**13. CALLED UP SHARE CAPITAL**

	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
<b>Authorised:</b>		
4,129,000 ordinary shares of £1 each	4,129	4,129
	<u>4,129</u>	<u>4,129</u>
<b>Called up, allotted and fully paid:</b>		
4,079,139 ordinary shares of £1 each	4,079	4,079
	<u>4,079</u>	<u>4,079</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1999**

**14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Share capital £'000	Share premium £'000	Profit and loss £'000	1999 Total £'000	1998 Total £'000
At 1 January 1999	4,079	140	2,502	6,721	8,369
Capital contribution received	-	-	3,333	3,333	-
Profit for the financial year	-	-	1,151	1,151	4,274
Dividends paid	-	-	(3,084)	(3,084)	(5,922)
	<u>4,079</u>	<u>140</u>	<u>3,902</u>	<u>8,121</u>	<u>6,721</u>

**15. PENSIONS**

The Company participates in the Amphenol Pension Plan which is managed by the Scottish Widow's Fund and Life Assurance Society. The scheme is a defined benefit plan providing benefits to certain employees within the group based on final pensionable pay. The assets are held separately from the group's assets.

Pension costs are assessed in accordance with the advice of a qualified actuary using the projected unit credit method. The latest actuarial valuation of the Amphenol Pension Plan was at 1 January 1999 which assessed the market value of the pension scheme assets to be £13,642,000, which represented a funding level of 143%. The excess is being eliminated over 16 years, the average remaining service life of current employees in the scheme. The assumptions which have the most significant effects on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. It was assumed that the investment rate would be 6% per annum, that salary increases would average 3% per annum compounded annually and that future pensions would not increase.

No contributions were made during 1999 or 1998 as the Group is currently undergoing a contribution holiday. Cost amounting to £140,000 (1998 - £106,000) have been charged to the profit and loss account reflecting the spreading of cost over the service lives of employees in the scheme. Included within creditors is a cumulative balance of £207,000 (1998 - £67,000) in respect of this spreading.

**16. FINANCIAL COMMITMENTS**

	1999 £'000	1998 £'000
<b>Capital commitments</b>		
Contracted for but not provided	<u>91</u>	<u>110</u>



**NOTES TO THE ACCOUNTS**

**Year ended 31 December 1999**

**16. FINANCIAL COMMITMENTS (continued)**

**Operating lease commitments**

	<b>Land and Buildings 1999 £'000</b>	<b>Other 1999 £'000</b>	<b>Land and Buildings 1998 £'000</b>	<b>Other 1998 £'000</b>
Leases which expire:				
Within one year	-	158	-	256
Within two to five years	-	305	-	387
After five years	155	-	135	-
	<u>155</u>	<u>463</u>	<u>135</u>	<u>643</u>

**17. RELATED PARTIES, ULTIMATE PARENT COMPANY AND CONTROLLING ENTITY**

The company has taken advantage of the exemption available under Financial Reporting Standard 8 not to disclose transactions with other group companies as it is a wholly owned subsidiary undertaking.

The immediate parent company is Amphenol-Borg Limited, incorporated in Great Britain.

Copies of the consolidated financial statements of Amphenol Holding UK, Limited, the smallest group of which the company is a member and for which consolidated financial statements are available, can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The ultimate parent company is Amphenol Corporation, a company incorporated in the United States of America, which is the largest group of which the company is a member and for which consolidated financial statements are available. Copies of these consolidated financial statements can be obtained from Amphenol Corporation, 358 Hall Avenue, Wallingford, CT 06492, USA.

The ultimate controlling entities at the balance sheet date were Kohlberg Kravis Roberts & Company L.P. 1993 Fund LP and KKR 1996 Fund L.P.