

AMPHENOL LIMITED
REPORT AND ACCOUNTS
YEAR ENDED 31 DECEMBER 1996

Registered number: 784278



AMPHENOL LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 1996.

PRINCIPAL ACTIVITIES

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

REVIEW OF BUSINESS

During 1996 Amphenol UK Group focused on its key markets of aerospace, telecommunications, computers and networks. With specific attention to the philosophy of key account management throughout the organisation, Amphenol has become a more focused, planned and measured business through the adoption of this concept.

The total company is committed to producing the right product at the right time and at the lowest cost ultimately giving our customers 100% satisfaction.

SUBSEQUENT EVENTS

A special meeting of Amphenol Corporation (the ultimate parent undertaking - see note 19) stockholders has been scheduled for Wednesday 14 May 1997 to vote on a proposed merger with Kholberg Kravis Roberts and Co.

RESULTS AND DIVIDENDS

The profit for the year of Amphenol Limited after taxation amounted to £4,037,000 (1995: profit of £2,655,000). Dividends of £4,097,000 were paid during the year (1995: nil). The retained loss for the year of £60,000 (1995: profit of £2,655,000) has been transferred to reserves.

RESEARCH AND DEVELOPMENT

During 1996 the Company continued its research and development in both the commercial/ industrial and military/avionics field.

FIXED ASSETS

Changes in fixed assets are shown in Note 9 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The following were directors of the company during the year and up to the date of this report:

Lawrence J DeGeorge

Martin H Loeffler

John B Backhouse

No director has any interest 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.

AMPHENOL LIMITED

EMPLOYMENT POLICY

1 Disabled persons

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

- (1) 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.
- (2) Where an employee becomes disabled whilst employed by the group, 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.
- (3) Encouragement is given in the retraining, career development and promotion of all employees including disabled employees.

2 Employees' involvement in company affairs

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

- (1) A complete briefing structure for all levels of employees on a monthly basis where information is given regarding the group's results and forecasts covering overall functions and departmental issues.
- (2) Consultations with trade unions.
- (3) Regular meetings with elected and non-affiliated staff representatives.

CHARITABLE DONATIONS

During the year the company made charitable donations amounting to £1,522 (1995: £1,365).

AMPHENOL LIMITED

REPORT OF THE DIRECTORS (Continued)

DIRECTOR'S RESPONSIBILITIES

The directors are required by the Companies Act 1985 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 for the year.

The directors consider that in preparing the financial statements on pages 5 to 16, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to continue in office and a resolution proposing their re-appointment will be put forward at the next annual general meeting.

By order of the Board



J B Backhouse

Director

14 May

1997

Price Waterhouse



AMPHENOL LIMITED

**AUDITORS' REPORT TO THE MEMBERS OF
AMPHENOL LIMITED**

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. 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 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 1996, and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Chartered Accountants
and Registered Auditors

14 May

1997

AMPHENOL LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>Notes</u>	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Turnover	2	38,898	33,921
Cost of sales		<u>(28,318)</u>	<u>(25,022)</u>
Gross profit		10,580	8,899
Distribution costs		(2,198)	(2,210)
Administrative expenses		(2,390)	(2,339)
Other operating income/(expense)		<u>145</u>	<u>(210)</u>
Operating profit	3	6,137	4,140
Interest payable	6	<u>(20)</u>	<u>(113)</u>
Profit before taxation		6,117	4,027
Taxation charge	7	<u>(2,080)</u>	<u>(1,372)</u>
Profit after tax for the year		4,037	2,655
Dividends		<u>(4,097)</u>	<u>-</u>
Retained (loss)/profit for the year		(60)	2,655
Retained profit brought forward		<u>8,441</u>	<u>5,786</u>
Retained profit carried forward		<u>8,381</u>	<u>8,441</u>

All profit and loss account items relate to continuing operations and the company has no recognised gains or losses other than its result for the period.

The notes on pages 8 to 16 form an integral part of these financial statements.

AMPHENOL LIMITED

BALANCE SHEET AT 31 DECEMBER 1996

	<u>Notes</u>	<u>1996</u> £'000	<u>1995</u> £'000
FIXED ASSETS			
Intangible assets	8	-	119
Tangible assets	9	<u>4,920</u>	<u>4,721</u>
		4,920	4,840
CURRENT ASSETS			
Stocks	11	5,562	5,643
Debtors	12	10,089	9,338
Cash at bank and in hand		<u>-</u>	<u>633</u>
		15,651	15,614
CREDITORS - Amounts falling due within one year	13	<u>(7,462)</u>	<u>(7,285)</u>
NET CURRENT ASSETS		8,189	8,329
TOTAL ASSETS LESS CURRENT LIABILITIES		13,109	13,169
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	14	<u>(509)</u>	<u>(509)</u>
NET ASSETS		12,600	12,660
CAPITAL AND RESERVES			
Called up share capital	15	4,079	4,079
Share premium account		140	140
Profit and loss account		<u>8,381</u>	<u>8,441</u>
SHAREHOLDERS' FUNDS		12,600	12,660

Approved by the Board of Directors on

JB Backhouse
Director

The notes on pages 8 to 16 form an integral part of these financial statements.

AMPHENOL LIMITED

MOVEMENT IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Profit attributable to shareholders for the year	4,037	2,655
Dividend paid	<u>(4,097)</u>	<u>—</u>
(Reduction in)/addition to shareholders' funds	(60)	2,655
Shareholders' funds at 1 January	<u>12,660</u>	<u>10,005</u>
Shareholders' funds at 31 December	<u>12,600</u>	<u>12,660</u>

The notes on pages 8 to 16 form an integral part of these financial statements.

AMPHENOL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the historical cost convention and in accordance with applicable accounting standards. The principal accounting policies adopted are set out below:

(1) Turnover

Turnover represents the invoiced value of sales excluding value added tax.

(2) Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Freehold buildings	- over 40 years
Leasehold improvements	- over the period of the lease
Plant and machinery	- between 4 and 10 years
Fixtures and fittings	- between 4 and 10 years

Assets in the course of construction are stated at cost and are not depreciated until brought into commission.

(3) Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

Raw materials	- purchase cost on a first-in, first-out basis.
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on normal level of activity.

(4) Research and development

Research and development expenditure is written off as incurred except that development expenditure incurred on individual projects which commenced prior to 1 January 1993 is carried forward and is amortised in line with sales from the related project.

(5) Deferred taxation

Full provision is made for deferred taxation arising from timing differences between profits stated in the financial statements and profits computed for tax purposes.

AMPHENOL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (Continued)

1 ACCOUNTING POLICIES (Continued)

(6) 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 rate of exchange ruling at the date of the transaction.

(7) Leases

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

(8) Pensions

The expected cost of pensions in respect of the company's defined benefit pension scheme is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme. Variations from the regular cost are spread over the expected remaining service lives of current employees in the scheme. The pension cost is assessed in accordance with the advice of qualified actuaries.

2 TURNOVER

An analysis of turnover by geographical market is given below:

	<u>1996</u> £'000	<u>1995</u> £'000
UK	30,006	27,189
Europe	7,136	5,359
Other	<u>1,756</u>	<u>1,373</u>
	<u>38,898</u>	<u>33,921</u>

AMPHENOL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (Continued)

3 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	<u>1996</u> £'000	<u>1995</u> £'000
Depreciation	747	673
Amortisation of intangible assets	119	103
Auditors' remuneration- audit fees	50	47
- other professional fees	35	14
Rental income	(136)	(150)
Foreign exchange (gain)/loss	<u>(131)</u>	<u>52</u>

4 DIRECTORS' EMOLUMENTS

	<u>1996</u> £'000	<u>1995</u> £'000
Emoluments of the directors	<u>117</u>	<u>86</u>

The Chairman received no emoluments from the company during the year (1995: nil).

The emoluments of the highest paid director excluding pension contributions were £98,744 (1995: £71,699). Directors' emoluments, excluding pension contributions, fell within the following ranges:

	<u>1996</u> No	<u>1995</u> No
£0 - £5,000	2	2
£70,000 - £75,000	-	1
£95,000 - £100,000	1	-

5 STAFF COSTS

	<u>1996</u> £'000	<u>1995</u> £'000
Wages and salaries	7,574	6,750
Social security costs	584	524
Pension costs	<u>23</u>	<u>24</u>
	<u>8,181</u>	<u>7,298</u>

AMPHENOL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (Continued)

5 STAFF COSTS (Continued)

The average number of employees during the year was made up as follows:

	<u>1996</u>	<u>1995</u>
	No	No
Office and management	195	202
Manufacturing	<u>333</u>	<u>301</u>
	528	503
	<u>=====</u>	<u>=====</u>

6 INTEREST PAYABLE

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Bank	14	65
Group undertakings	<u>6</u>	<u>48</u>
	20	113
	<u>=====</u>	<u>=====</u>

7 TAXATION

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Corporation tax based on the profit for the year at 33% (1995 - 33%)	(2,023)	(1,359)
Deferred taxation (Note 14)	-	(51)
Adjustments in respect of prior years	<u>(57)</u>	<u>38</u>
	(2,080)	(1,372)
	<u>=====</u>	<u>=====</u>

AMPHENOL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (Continued)

8 INTANGIBLE FIXED ASSETS

	Product development costs
	£'000
Cost	
At 1 January 1996	119
Less: Amortisation for the year	(119)
At 31 December 1996	-

9 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Leasehold improvements	Plant and machinery	Fixtures and fittings	Assets in course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 31 December 1995	3,958	297	12,039	352	293	16,939
Transfers	-	-	293	-	(293)	-
Additions	44	2	584	20	296	946
Disposals	-	-	(196)	-	-	(196)
At 31 December 1996	<u>4,002</u>	<u>299</u>	<u>12,720</u>	<u>372</u>	<u>296</u>	<u>17,689</u>
Depreciation						
At 31 December 1995	2,025	201	9,785	207	-	12,218
Provided during the year	187	26	495	39	-	747
Disposals	-	-	(196)	-	-	(196)
At 31 December 1996	<u>2,212</u>	<u>227</u>	<u>10,084</u>	<u>246</u>	<u>-</u>	<u>12,769</u>
Net book value						
At 31 December 1996	<u>1,790</u>	<u>72</u>	<u>2,636</u>	<u>126</u>	<u>296</u>	<u>4,920</u>
At 31 December 1995	<u>1,933</u>	<u>96</u>	<u>2,254</u>	<u>145</u>	<u>293</u>	<u>4,721</u>

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NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (Continued)

10 INVESTMENT IN SUBSIDIARY

The company's investment in its wholly owned subsidiary undertaking, Spectra Strip Limited, is stated at cost of £139. Spectra Strip Limited is registered in England.

11 STOCKS

	<u>1996</u> £'000	<u>1995</u> £'000
Raw materials and consumables	223	183
Work in progress	3,333	594
Finished goods and goods for resale	<u>2,006</u>	<u>4,866</u>
	5,562	5,643
	<u>=====</u>	<u>=====</u>

12 DEBTORS

	<u>1996</u> £'000	<u>1995</u> £'000
Trade debtors	5,831	6,108
Amounts owed by group undertakings	3,324	2,103
Other debtors	14	125
Prepayments and accrued income	<u>920</u>	<u>1,002</u>
	10,089	9,338
	<u>=====</u>	<u>=====</u>

13 CREDITORS - amounts falling due within one year:

	<u>1996</u> £'000	<u>1995</u> £'000
Bank overdraft	77	-
Trade creditors	2,064	2,185
Amounts owed to parent and fellow subsidiary undertakings	1,134	1,641
Amounts owed to subsidiary undertaking (Spectra Strip)	1,777	1,777
Other creditors including taxation and social security	177	274
Corporation tax	2,111	1,359
Accruals	<u>122</u>	<u>49</u>
	7,462	7,285
	<u>=====</u>	<u>=====</u>

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NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (Continued)

14 DEFERRED TAXATION

The movement in deferred taxation is as follows:

	<u>1996</u> £'000	<u>1995</u> £'000
Balance at 1 January	509	458
Movement in year	<u>-</u>	<u>51</u>
Balance at 31 December	<u>509</u>	<u>509</u>

Deferred taxation consists of the following timing differences:

	<u>1996</u> £'000	<u>1995</u> £'000
Accelerated capital allowances	466	519
Other	<u>43</u>	<u>(10)</u>
	<u>509</u>	<u>509</u>

15 SHARE CAPITAL

	Ordinary shares of £1 each £
Authorised: At 31 December 1996 and 1995	<u>4,129,000</u>
Issued and fully paid: At 31 December 1996 and 1995	<u>4,079,139</u>

AMPHENOL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (Continued)

16 PENSIONS

The Company participates in the Amphenol Pension Plan which is managed by the Scottish Widows' 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 in 1996 were £5,900 (1995 - £42,000). The pension cost for the year was reduced by a credit of £358,000 representing the amortisation of the actuarial surplus over 19 years, the average remaining service life of current employees in the scheme. 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 1996 which assessed the market value of the pension scheme assets to be £10,216,000. 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 9% per annum, that salary increases would average 7% per annum compounded annually and that future pensions would not increase.

No contributions were made during 1996 as the Company is currently undergoing a contribution holiday. Accordingly, a prepayment of £25,800 (1995: £19,900) is recorded at 31 December 1996 representing the excess of previous years' contributions over the pension cost charged to the profit and loss account.

17 CAPITAL COMMITMENTS

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Contracted	232	19
	=====	=====
Authorised by the directors but not contracted	127	304
	=====	=====

AMPHENOL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (Continued)

18 OPERATING LEASE COMMITMENTS

The minimum annual rentals under operating leases are as follows:-

	<u>1996</u> £'000	<u>1995</u> £'000
Operating leases which expire:		
- within 1 year	58	255
- within 2-5 years	825	270
- After 5 years	—	—
	<u>883</u>	<u>525</u>

19 OWNERSHIP

The Company, incorporated and registered in England, is a wholly owned subsidiary of Amphenol-Borg Limited, and as such is included in the consolidated group accounts prepared by Amphenol-Borg Limited. The ultimate parent undertaking is Amphenol Corporation, a company incorporated in the United States of America. A copy of the financial statements may be obtained from Corporate Headquarters, 358 Hall Avenue, PO Box 5030 Wallingford, Connecticut, USA.

20 CASH FLOW STATEMENT

The Company has taken advantage of an exemption contained within Financial Reporting Standard 1 (Revised) and has not published a cash flow statement. A consolidated cash flow is included within the accounts of the ultimate parent undertaking, Amphenol Corporation.

21 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptions within Financial Reporting Standard 8: "Related Party Disclosures" not to disclose transactions with other group entities.