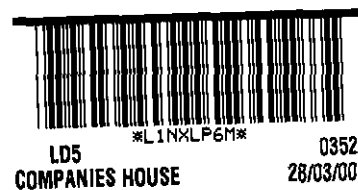


AMPHENOL LIMITED

Report and Financial Statements

31 December 1998

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



REPORT AND FINANCIAL STATEMENTS 1998

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REPORT AND FINANCIAL STATEMENTS 1998

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 1998.

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 in directing resources into the strategic markets of Military and Aerospace, Telecoms and Industrial, targeting and developing Key Account partnerships and generally transforming the business from a Connector producer to becoming recognised as a strategic Interconnection System manufacturer.

This strategy, consistent with its plan Direction 2000+, is dependent on Amphenol taking a leadership role in New Product/System Development and innovation with a fast time to market and in doing so ensuring continued profitability within each of the principal markets served.

FUTURE PROSPECTS

With its Key Account philosophy entrenched throughout its UK operations, and its ongoing quest for continual improvement, expectations for above average annual performance remain high, commensurate with prior years.

RESULTS AND DIVIDENDS

The profit for the year after taxation, amounted to £4,274,000 (1997 - profit £5,042,000). Dividends of £5,922,000 were paid during the year (1997 - £9,273,000).

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 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.

CHARITABLE DONATIONS

During the year the group made charitable donations amounting to £3,726 (1997 - £3,513).

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.

YEAR 2000

Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business; however, the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not expected to be significant.

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



M H Loeffler

Director

6 March 2000

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. 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 1998 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

2) March 2000

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1998

	Note	1998 £'000	1997 £'000
TURNOVER	2	41,593	43,495
Cost of sales		(30,982)	(31,513)
Gross profit		10,611	11,982
Distribution costs		(2,466)	(2,289)
Administrative expenses		(3,287)	(3,016)
		(5,753)	(5,305)
OPERATING PROFIT: continuing operations	4	4,858	6,677
Net interest (payable)/receivable and similar charges	5	(54)	10
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,804	6,687
Tax on profit on ordinary activities	6	(530)	(1,645)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		4,274	5,042
Dividends	7	(5,922)	(9,273)
		(1,648)	(4,231)
Retained profit brought forward		4,150	8,381
Retained profit carried forward		2,502	4,150

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

BALANCE SHEET
31 December 1998

	Note	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	8	6,602	5,345
CURRENT ASSETS			
Stocks	9	8,842	5,877
Debtors	10	16,004	15,211
		24,846	21,088
CREDITORS: amounts falling due within one year	11	(8,945)	(8,202)
NET CURRENT ASSETS		15,901	12,886
TOTAL ASSETS LESS CURRENT LIABILITIES		22,503	18,231
CREDITORS: amounts falling due after more than one year			
Amount owed to immediate parent company		(15,165)	(9,243)
PROVISIONS FOR LIABILITIES AND CHARGES	12	(617)	(619)
		6,721	8,369
CAPITAL AND RESERVES			
Called up share capital	13	4,079	4,079
Share premium account		140	140
Profit and loss account		2,502	4,150
	14	6,721	8,369

These financial statements were approved by the Board of Directors on 6 March 2000

Signed on behalf of the Board of Directors


Martin Hans Loeffler
Director

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 December 1998

	1998	1997
	£'000	£'000
Profit attributable to shareholders for the year	4,274	5,042
Dividend paid	(5,922)	(9,273)
Reduction in shareholders' funds	(1,648)	(4,231)
Shareholders' funds at 1 January	8,369	12,600
Shareholders' funds at 31 December	<u>6,721</u>	<u>8,369</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

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

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

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.

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

2. SEGMENTAL ANALYSIS

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.

An analysis of turnover by geographical market is given below:

	1998 £'000	1997 £'000
UK	33,112	33,168
Rest of Europe	6,854	8,704
Other	1,627	1,623
	<u>41,593</u>	<u>43,495</u>

Turnover by source is considered immaterially different from turnover by destination.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1998 £'000	1997 £'000
Directors' emoluments		
Emoluments of the directors	69	105
	<u>No.</u>	<u>No.</u>
Average number of persons employed		
Office and management	213	173
Manufacturing	347	349
	<u>560</u>	<u>522</u>
	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	9,580	8,226
Social security costs	727	645
Pension costs	106	7
	<u>10,413</u>	<u>8,878</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

4. OPERATING PROFIT

	1998	1997
	£'000	£'000
Operating profit is after charging/(crediting)		
Depreciation - owned assets	855	776
Operating lease payments - plant and machinery	23	140
- other	439	560
Rental income	(124)	(176)
Foreign exchange loss/(gain)	73	309
Auditors' remuneration - audit fees	40	40
- other professional fees	48	42
	<u> </u>	<u> </u>

5. NET INTEREST (PAYABLE)/RECEIVEABLE

	1998	1997
	£'000	£'000
Bank interest (payable)/receiveable	(54)	10
	<u> </u>	<u> </u>
	(54)	10
	<u> </u>	<u> </u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998	1997
	£'000	£'000
United Kingdom corporation tax at 31%		
(1997 - 33%)	588	1,535
Deferred taxation	(2)	110
	<u> </u>	<u> </u>
	586	1,645
Adjustments to prior years' tax provisions		
Corporation tax	(56)	-
	<u> </u>	<u> </u>
	530	1,645
	<u> </u>	<u> </u>

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

7. DIVIDENDS ON ORDINARY SHARES

	1998	1997
	£'000	£'000
Ordinary - paid of 145.2p per share (1997 - 227.33p)	5,922	9,273
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

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 1998	4,039	314	13,805	398	309	18,865
Additions	1,254	-	745	62	120	2,181
Disposals	(44)	-	(213)	-	-	(257)
At 31 December 1998	<u>5,249</u>	<u>314</u>	<u>14,337</u>	<u>460</u>	<u>429</u>	<u>20,789</u>
Accumulated depreciation						
At 1 January 1998	2,335	243	10,652	290	-	13,520
Charge for the year	133	-	677	45	-	855
Disposals	(2)	-	(186)	-	-	(188)
At 31 December 1998	<u>2,466</u>	<u>243</u>	<u>11,143</u>	<u>335</u>	<u>-</u>	<u>14,187</u>
Net book value						
At 31 December 1998	<u>2,783</u>	<u>71</u>	<u>3,194</u>	<u>125</u>	<u>429</u>	<u>6,602</u>
At 31 December 1997	<u>1,704</u>	<u>71</u>	<u>3,153</u>	<u>108</u>	<u>309</u>	<u>5,345</u>

9. STOCKS

	1998 £'000	1997 £'000
Raw materials and consumables	392	313
Work-in-progress	7,220	3,515
Finished goods and goods for resale	1,230	2,049
	<u>8,842</u>	<u>5,877</u>

10. DEBTORS

	1998 £'000	1997 £'000
Trade debtors	7,422	6,590
Amounts owed by group undertakings	7,281	7,667
Corporation tax recoverable	31	-
Other debtors	249	8
Prepayments and accrued income	1,021	946
	<u>16,004</u>	<u>15,211</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1998

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £'000	1997 £'000
Bank loans and overdrafts	630	188
Trade creditors	2,894	2,235
Amounts owed to group undertakings		
Ultimate parent company	2,533	2,153
Subsidiaries	1,877	1,877
Current corporation tax	598	1,535
Other creditors including taxes and social security	371	214
Accruals and deferred income	42	-
	<u>8,945</u>	<u>8,202</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

	£'000
Deferred taxation	
Balance at 1 January 1998	619
Provision	(2)
Balance at 31 December 1998	<u>617</u>

The amounts provided in the accounts and the amounts not provided are as follows:

	1998 £'000	1997 £'000
Capital allowances in advance of depreciation	630	545
Other timing differences	(13)	74
	<u>617</u>	<u>619</u>

13. CALLED UP SHARE CAPITAL

	1998 £'000	1997 £'000
Authorised:		
4,129,000 ordinary shares of £1 each	4,129	4,129
Called up, allotted and fully paid:		
4,079,139 ordinary shares of £1 each	4,079	4,079

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £'000	1997 £'000
Profit for the financial year	4,274	5,042
Dividends	(5,922)	(9,273)
Net reduction in shareholders' funds	(1,648)	(4,231)
Opening shareholders' funds	8,369	12,600
Closing shareholders' funds	6,721	8,369

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 in 1998 were £106,000 (1997 - £7,100). 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 1998 (1997 - nil) as the Company is currently undergoing a contribution holiday. Accordingly, a prepayment of £32,900 (1997 - £138,900) is recorded at 31 December 1998 representing the excess of previous years' contributions over the pension cost charged to the profit and loss account.

16. FINANCIAL COMMITMENTS

	1998 £'000	1997 £'000
Capital commitments		
Contracted for but not provided	110	264

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

16. FINANCIAL COMMITMENTS (continued)

Operating lease commitments

	Land and buildings 1998 £'000	Other 1998 £'000	Land and Buildings 1997 £'000	Other 1997 £'000
<i>Leases which expire:</i>				
Within one year	19	443	-	122
Within two to five years	83	1,658	297	782
After five years	991	-	1,005	-
	<u>1,093</u>	<u>2,101</u>	<u>1,302</u>	<u>904</u>

17. RELATED PARTIES, ULTIMATE PARENT COMPANY AND CONTROLLING ENTITY

The company is able to take advantage of the exemption conferred by Financial Reporting Standard No. 8, Related Party Transactions, from disclosing, in these financial statements, related party transactions with other group companies because these are eliminated on consolidation in the accounts of Amphenol Holdings UK Limited, a company incorporated in the United Kingdom.

The immediate parent company is Amphenol Borg Limited, incorporated in the United Kingdom. Copies of the consolidated financial statements of Amphenol Holdings UK Limited, the largest UK group of which the company is a member, can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ. The ultimate controlling entities are Kohlberg Kravis Roberts & Company L.P. 1993 Fund LP and KKR 1996 Fund L.P.