

BOURNS ELECTRONICS LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 2002**

Registered number: 860907



Bourns Electronics Limited

FINANCIAL STATEMENTS for the year ended 31 December 2002

TABLE OF CONTENTS	PAGE
REPORT OF THE DIRECTORS	2 - 3
INDEPENDENT AUDITORS' REPORT	4
PROFIT AND LOSS ACCOUNT	5
BALANCE SHEET	6
CASH FLOW STATEMENT	7
NOTES TO THE FINANCIAL STATEMENTS	8 - 15

Bourns Electronics Limited

REPORT OF THE DIRECTORS for the year ended 31 December 2002

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity is as agent for the distribution of passive electronic components. There has been no significant change in the company's activities during the year. It is the intention of the directors to continue to develop the current activities of the company.

RESULTS AND DIVIDENDS

The profit for the year before taxation amounted to STG£113,368 (2001: STG£76,457). After deducting taxation of STG£18,202 (2001: STG£12,260) an amount of STG£95,166 (2001: STG£64,197) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

Gordon Bourns
William McKenna

The directors do not have any interests required to be disclosed under Section 2 of Schedule 7 of the Companies Act, 1985.

EMPLOYEES

The maintenance of a highly skilled workforce is recognised as a major factor in the business. Health and safety matters are given special attention by the directors. The company has recognised the benefits of keeping employees informed of the progress of the business and involving them in the company's overall performance. During the year employees were regularly provided with key information regarding the performance of the company and on matters of concern to them as employees through employee briefing sessions.

The company's policy and practice is to encourage where possible the employment of disabled people and to assist their recruitment, training, career development and promotion and the retention of employees who become disabled.

CHARITABLE AND POLITICAL CONTRIBUTIONS

No political or charitable contributions were made during the year (2001: STG£Nil).

FIXED ASSETS

Information relating to changes in tangible fixed assets is given in note 7 to the accounts.

Bourns Electronics Limited

REPORT OF THE DIRECTORS for the year ended 31 December 2002

POST BALANCE SHEET EVENTS

There have been no significant events affecting the company since the year end.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

United Kingdom 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;
- 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 which enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in the United Kingdom and 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

A resolution to reappoint Ernst & Young, Chartered Accountants, as auditors will be put to the members at the Annual General Meeting.

On behalf of the board

John L. Bourns

W. P. McKenna
Directors

1 May 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOURNS ELECTRONICS LIMITED

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. 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 auditors' 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards

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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

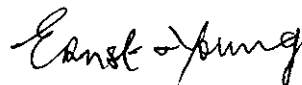
Basis of audit opinion

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 affairs of the company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act, 1985.



Ernst & Young
Registered Auditor
Stapleton House
89 South Mall
Cork

13 MAY, 2003

Bourns Electronics Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2002

	<i>Note</i>	<i>2002 STG£</i>	<i>2001 STG£</i>
TURNOVER	2	583,982	640,916
Administrative expenses		(485,954)	(574,720)
OPERATING PROFIT	4	98,028	66,196
Interest receivable		15,340	10,261
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		113,368	76,457
Tax on profit on ordinary activities	6	(18,202)	(12,260)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		95,166	64,197
RETAINED LOSS BROUGHT FORWARD		(540,919)	(605,116)
RETAINED LOSS CARRIED FORWARD		(445,753)	(540,919)

There are no recognised gains or losses in either year other than the profit attributable to the shareholders of the company.

On behalf of the board

John L Bowers
W. P. McKenna

Directors

1 May 2003

Bourns Electronics Limited

BALANCE SHEET

at 31 December 2002

	Note	2002 STG£	2001 STG£
FIXED ASSETS			
Tangible assets	7	58,379	729,412
CURRENT ASSETS			
Debtors	8	1,693,647	947,669
Cash at bank and in hand		26,103	2,209
		1,719,750	949,878
CREDITORS: amounts falling due within one year	9	(158,247)	(154,574)
NET CURRENT ASSETS		1,561,503	795,304
TOTAL ASSETS LESS CURRENT LIABILITIES		1,619,882	1,524,716
PROVISIONS FOR LIABILITIES AND CHARGES	10	(29,910)	(29,910)
NET ASSETS		1,589,972	1,494,806
CAPITAL AND RESERVES			
Called up equity share capital	11	2,035,725	2,035,725
Profit and loss account	12	(445,753)	(540,919)
SHAREHOLDERS' FUNDS (all equity interests)	12	1,589,972	1,494,806

On behalf of the board

Gordon L. Bourns

W. P. McKenna

Directors

1 May 2003

Bourns Electronics Limited

CASH FLOW STATEMENT

for the year ended 31 December 2002

	<i>Note</i>	<i>2002 STG£</i>	<i>2001 STG£</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	13(a)	(536,995)	(88,286)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		15,340	10,261
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		15,340	10,261
TAXATION			
UK corporation tax received		-	72,818
UK corporation tax paid		(37,894)	-
TAX (PAID)/REFUNDED		(37,894)	72,818
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(18,207)	(18,500)
Receipts from sales of tangible fixed assets		601,650	9,850
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		583,443	(8,650)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		23,894	(13,857)
FINANCING		-	-
INCREASE/(DECREASE) IN CASH IN THE YEAR	13(b)	23,894	(13,857)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

1. ACCOUNTING POLICIES

The principal accounting policies, all of which have been applied consistently throughout the year, are set out below.

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Taxation

Corporation tax is provided on taxable projects at current rates.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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 from which the future 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 substantively enacted by the balance sheet date.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of individual items over their estimated useful lives from the month of purchase, as follows:

Buildings	15 - 40 years
Plant and machinery:	
Main production plant	5 - 13 years
Computer equipment, tooling and sundry production plant	4 - 15 years
Furniture and fittings	5 - 10 years
Motor vehicles	5 years

Foreign exchange

The financial statements are expressed in pounds sterling (STG£).

Normal trading activities denominated in foreign currencies are recorded in the local currency at actual exchange rate as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Government grants

Grants receivable in respect of projects resulting in the creation of additional jobs are credited to the profit and loss account in the period in which the qualifying conditions have been met.

Bourns Electronics Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

2. TURNOVER

Turnover represents the value of sales and commissions, excluding VAT, of goods and services provided to fellow subsidiary undertakings.

Turnover and profit before taxation are attributable to one class of business, the commission on sale of electronic components and instruments.

A geographical analysis of turnover is not provided as this would, in the opinion of the directors, be prejudicial to the interests of the company.

3. STAFF COSTS	2002 STG£	2001 STG£
Wages and salaries	245,332	267,480
Social security costs	25,999	26,384
Other pension costs	20,138	22,221
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	291,469	316,085
	<hr/>	<hr/>

The monthly average number of employees, including directors, during the year was as follows:

	2002 No.	2001 No.
Selling, administration and distribution	7	7
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4. OPERATING PROFIT	2002 STG£	2001 STG£
The operating profit is stated after charging/(crediting):		
Depreciation	42,982	90,212
Audit fee	6,500	6,000
Loss on sale of fixed assets	44,608	23,425
Operating lease rentals:		
- hire of plant and machinery	5,091	5,091
- other (rental of premises)	125,881	125,881
Rental income	(137,200)	(269,554)
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Bourns Electronics Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

5. DIRECTORS' EMOLUMENTS

There were no directors emoluments during the year.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

2002	2001
STG£	STG£

The tax charge is based on the results for the year and comprises:

Corporation tax at standard rate	19,199	18,309
(Over)/under provision in respect of prior year taxation	(997)	190
Deferred tax (see note 10)	-	(6,239)
	<hr/>	<hr/>
	18,202	12,260
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Factors affecting the tax charge for the period:

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002	2001
	STG£	STG£
Profit on ordinary activities before tax	113,368	76,457
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK (30%)	34,010	22,937
Effect of:		
Disallowed expenses and non qualifying depreciation	150	210
Depreciation in excess of capital allowances	49,070	21,262
Short term timing differences	(30,385)	10,500
ACT recoverable	(33,646)	(36,600)
	<hr/>	<hr/>
	19,199	18,309
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

7. TANGIBLE FIXED ASSETS

	Freehold land STG£	Buildings STG£	Plant and machinery STG£	Furniture and fittings STG£	Motor vehicles STG£	Total STG£
Cost:						
At 1 January 2002	12,589	1,082,502	249,182	39,808	96,844	1,480,925
Additions	-	-	-	-	18,207	18,207
Disposals	(12,589)	(1,082,502)	(249,182)	-	(16,345)	(1,360,618)
At 31 December 2002	-	-	-	39,808	98,706	138,514
Depreciation:						
At 1 January 2002	-	555,075	121,712	39,808	34,918	751,513
Charge for year	-	17,496	6,050	-	19,436	42,982
Disposals	-	(572,571)	(127,762)	-	(14,027)	(714,360)
At 31 December 2002	-	-	-	39,808	40,327	80,135
Net book value:						
At 31 December 2002	-	-	-	-	58,379	58,379
At 31 December 2001	12,589	527,427	127,470	-	61,926	729,412

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

8. DEBTORS	2002 STG£	2001 STG£
Amounts owed by fellow subsidiary undertakings	959,267	925,961
VAT	238,593	6,228
Prepayments and accrued income	58,779	15,480
Other debtors	435,625	-
Corporation tax refundable	1,383	-
	<u>1,693,647</u>	<u>947,669</u>

Included in other debtors is an amount of STG£308,125 (2001: STG£Nil) which is due after more than one year.

9. CREDITORS: amounts falling due within one year	2002 STG£	2001 STG£
Trade creditors	3,316	1,591
Amounts owed to fellow subsidiary undertakings	33,730	-
Social security and PAYE	8,700	9,726
Accruals and deferred income	112,501	124,948
Corporation tax payable	-	18,309
	<u>158,247</u>	<u>154,574</u>

10. PROVISIONS FOR LIABILITIES AND CHARGES

	2002 STG£	2001 STG£	Movement STG£
Deferred taxation:			
Accelerated taxation allowances on fixed assets	29,910	29,910	-
	<u>29,910</u>	<u>29,910</u>	<u>-</u>

The amounts provided are the full potential liabilities.

Bourns Electronics Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

11. CALLED UP EQUITY SHARE CAPITAL

	2002 STG£	Authorised 2001 STG£	2002 STG£	Allotted called up and fully paid 2001 STG£
Ordinary shares of STG£1 each	2,100,000	2,100,000	2,035,725	2,035,725

Share capital consists entirely of equity shares.

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital STG£	Profit and loss account STG£	Total shareholders' funds STG£
At 1 January 2001	2,035,725	(605,116)	1,430,609
Profit for the year	-	64,197	64,197
At 1 January 2002	2,035,725	(540,919)	1,494,806
Profit for the year	-	95,166	95,166
At 31 December 2002	2,035,725	(445,753)	1,589,972

13. CASH FLOW INFORMATION

a)	Reconciliation of operating profit to net cash outflow from operating activities:	2002 STG£	2001 STG£
	Operating profit	98,028	66,196
	Depreciation	42,982	90,212
	Loss on disposal of fixed assets	44,608	23,425
	Increase in debtors	(744,595)	(252,618)
	Increase/(decrease) in creditors	21,982	(15,501)
	Net cash outflow from operating activities	(536,995)	(88,286)

Bourns Electronics Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

13. CASH FLOW INFORMATION (continued)

b)	<i>Reconciliation of net cash flow to movement in net cash</i>		
		2002 STG£	2001 STG£
	Increase/ (Decrease) in cash in the year	23,894	(13,857)
	Net cash at 1 January	2,209	16,066
		<hr/>	<hr/>
	Net cash at 31 December	26,103	2,209
		<hr/>	<hr/>
c)	<i>Analysis of changes in net cash</i>		
		At 1/1/2002 STG£	Cashflows STG£
			At 31/12/2002 STG£
	Cash	2,209	23,894
		<hr/>	<hr/>

14. CAPITAL COMMITMENTS

There were no capital commitments at the end of the year (2001 : STG£Nil).

15. OTHER FINANCIAL COMMITMENTS

The company has entered into non-cancellable operating leases, the payments of which extend over a period of up to eleven years. The total annual rental for 2002 was STG£125,881 (2001: STG£125,881).

The minimum annual rentals under the foregoing leases are as follows:

	<i>Land and buildings</i>	
	2002 STG£	2001 STG£
Operating leases which expire:		
Within one year	-	-
Within two to five years	125,881	125,881
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	125,881	125,881
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

16. RELATED PARTY DISCLOSURE

The company has taken exemption from the requirement to disclose related party transactions on the basis it is a wholly owned subsidiary.

17. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

In the directors' opinion, the company's ultimate parent undertaking and controlling party is Bourns Incorporated, a company incorporated in the State of California, United States of America.

The smallest and largest group in which the results of the company are consolidated is Bourns Incorporated. Copies of the consolidated financial statements of Bourns Incorporated are not generally available to the public.