

BOURNS ELECTRONICS LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 2003**

Registered number: 860907



Bourns Electronics Limited

FINANCIAL STATEMENTS for the year ended 31 December 2003

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Bourns Electronics Limited

REPORT OF THE DIRECTORS

for the year ended 31 December 2003

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 2003.

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£66,235 (2002: STG£113,368). After taxation an amount of STG£103,280 (2002: STG£95,166) 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.

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 2003

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


Directors



13 April 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOURNS ELECTRONICS LIMITED

We have audited the company's financial statements for the year ended 31 December 2003 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 235 of the Companies Act, 1985. 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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and Auditing Standards issued by the Auditing Practices Board for use in the United Kingdom.

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 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act, 1985.



Ernst & Young
Registered Auditors
Cork

16 April, 2004

Bourns Electronics Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2003

	<i>Note</i>	<i>2003 STG£</i>	<i>2002 STG£</i>
TURNOVER	2	660,516	583,982
Administrative expenses		(615,027)	(485,954)
OPERATING PROFIT	4	45,489	98,028
Interest receivable		20,746	15,340
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		66,235	113,368
Tax on profit on ordinary activities	6	37,045	(18,202)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		103,280	95,166
RETAINED LOSS BROUGHT FORWARD		(445,753)	(540,919)
RETAINED LOSS CARRIED FORWARD		(342,473)	(445,753)

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

W. P. McKenna
Directors

Gordon L. Bourns

13 April 2004

Bourns Electronics Limited

BALANCE SHEET

at 31 December 2003

	Note	2003 STG£	2002 STG£
FIXED ASSETS			
Tangible assets	7	57,136	58,379
CURRENT ASSETS			
Debtors : amounts due within one year	8	1,557,227	1,385,522
: amounts due greater than one year	8	180,625	308,125
Cash at bank and in hand		38,865	26,103
		1,776,717	1,719,750
CREDITORS: amounts falling due within one year	9	(140,601)	(158,247)
NET CURRENT ASSETS		1,636,116	1,561,503
TOTAL ASSETS LESS CURRENT LIABILITIES		1,693,252	1,619,882
PROVISIONS FOR LIABILITIES AND CHARGES	10	-	(29,910)
NET ASSETS		1,693,252	1,589,972
CAPITAL AND RESERVES			
Called up equity share capital	11	2,035,725	2,035,725
Profit and loss account	12	(342,473)	(445,753)
SHAREHOLDERS' FUNDS (all equity interests)	12	1,693,252	1,589,972

On behalf of the board

W. P. McKenna Gordon L. Burns
Directors

13 April 2004

Bourns Electronics Limited

CASH FLOW STATEMENT for the year ended 31 December 2003

	<i>Note</i>	<i>2003 STG£</i>	<i>2002 STG£</i>
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	13(a)	25,756	(536,995)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		20,746	15,340
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		20,746	15,340
TAXATION			
UK corporation tax paid		(6,000)	(37,894)
UK corporation tax refunded		1,004	-
		(4,996)	(37,894)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(38,944)	(18,207)
Receipts from sales of tangible fixed assets		10,200	601,650
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		(28,744)	583,443
NET CASH INFLOW BEFORE FINANCING		12,762	23,894
FINANCING		-	-
INCREASE IN CASH IN THE YEAR	13(b)	12,762	23,894

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

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 company'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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

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	2003 STG£	2002 STG£
Wages and salaries	270,631	245,332
Social security costs	31,594	25,999
Other pension costs	29,044	20,138
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	331,269	291,469
	<hr/>	<hr/>

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

	2003 No.	2002 No.
Selling, administration and distribution	6	7
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4. OPERATING PROFIT	2003 STG£	2002 STG£
The operating profit is stated after charging/(crediting):		
Depreciation	22,009	42,982
Audit fee	1,850	6,500
Loss on sale of fixed assets	7,978	44,608
Operating lease rentals:		
- hire of plant and machinery	-	5,091
- other (rental of premises)	103,000	125,881
Rental income	(48,380)	(137,200)
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

5. DIRECTORS' EMOLUMENTS

There were no directors' emoluments during the year.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

2003
STG£

2002
STG£

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

Corporation tax at standard rate	(1,949)	19,199
Overprovision in respect of prior year taxation	(5,186)	(997)
Total current tax	(7,135)	18,202
Deferred tax		
Origination and reversal of timing differences	(29,910)	-
	(37,045)	18,202

Factors affecting the tax charge for the period:

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

	2003 STG£	2002 STG£
Profit on ordinary activities before tax	66,235	113,368
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30%	19,871	34,010
Effect of:		
Disallowed expenses and non qualifying depreciation	2,100	150
Depreciation in excess of capital allowances	1,856	49,070
Other timing differences	(29,675)	(30,385)
ACT recoverable	-	(33,646)
Difference in tax rates for losses carried back	3,899	-
Overprovision in respect of prior year	(5,186)	(997)
	(7,135)	18,202

Bourns Electronics Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

7. TANGIBLE FIXED ASSETS

	<i>Furniture and fittings STG£</i>	<i>Motor vehicles STG£</i>	<i>Total STG£</i>
Cost:			
At 1 January 2003	39,808	98,706	138,514
Additions	-	38,944	38,944
Disposals	-	(36,999)	(36,999)
At 31 December 2003	39,808	100,651	140,459
Depreciation:			
At 1 January 2003	39,808	40,327	80,135
Charge for year	-	22,009	22,009
Disposals	-	(18,821)	(18,821)
At 31 December 2003	39,808	43,515	83,323
Net book value:			
At 31 December 2003	-	57,136	57,136
At 31 December 2002	-	58,379	58,379

8. DEBTORS

	<i>2003 STG£</i>	<i>2002 STG£</i>
Amounts owed by fellow subsidiary undertakings	1,319,740	959,267
VAT	54,171	238,593
Prepayments and accrued income	42,302	58,779
Other debtors	308,125	435,625
Corporation tax refundable	13,514	1,383
	1,737,852	1,693,647

Included in other debtors is an amount of STG£180,625 (2002: STG£308,125) which is due after more than one year.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

9.	CREDITORS: amounts falling due within one year	2003 STG£	2002 STG£
	Trade creditors	4,950	3,316
	Amounts owed to fellow subsidiary undertakings	-	33,730
	Social security and PAYE	11,595	8,700
	Accruals and deferred income	124,056	112,501
		<hr/>	<hr/>
		140,601	158,247
		<hr/>	<hr/>

10. **PROVISIONS FOR LIABILITIES AND CHARGES**

	2003 STG£	2002 STG£	Movement STG£
Deferred taxation:			
Accelerated taxation allowances on fixed assets	-	29,910	(29,910)
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The amounts provided are the full potential liabilities.

11. **CALLED UP EQUITY SHARE CAPITAL**

	2003 STG£	Authorised 2002 STG£	2003 STG£	Allotted called up and fully paid 2002 STG£
Ordinary shares of STG£1 each	2,100,000	2,100,000	2,035,725	2,035,725
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Share capital consists entirely of equity shares.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital STG£	Profit and loss account STG£	Total shareholders' funds STG£
At 1 January 2002	2,035,725	(540,919)	1,494,806
Profit for the year	-	95,166	95,166
At 1 January 2003	2,035,725	(445,753)	1,589,972
Profit for the year	-	103,280	103,280
At 31 December 2003	2,035,725	(342,473)	1,693,252

13. CASH FLOW INFORMATION

a)	<i>Reconciliation of operating profit to net cash inflow/(outflow) from operating activities:</i>	2003 STG£	2002 STG£
	Operating profit	45,489	98,028
	Depreciation	22,009	42,982
	Loss on disposal of fixed assets	7,978	44,608
	Increase in debtors	(32,074)	(744,595)
	(Decrease)/increase in creditors	(17,646)	21,982
	Net cash inflow/(outflow) from operating activities	25,756	(536,995)
b)	<i>Reconciliation of net cash flow to movement in net cash</i>		
	Increase in cash in the year	12,762	23,894
	Net cash at 1 January	26,103	2,209
	Net cash at 31 December	38,865	26,103
c)	<i>Analysis of changes in net cash</i>		
	At 1/1/2003 STG£	Cashflows STG£	At 31/12/2003 STG£
	Cash	26,103	38,865

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

14. CAPITAL COMMITMENTS

There were no capital commitments at the end of the year (2002: 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 2003 was STG£103,000 (2002: STG£125,881).

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

	<i>Land and buildings</i>	
	<i>2003</i>	<i>2002</i>
	<i>STG£</i>	<i>STG£</i>
Operating leases which expire:		
Within one year	-	-
Within two to five years	103,000	125,881
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	103,000	125,881
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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.