

APW Electronics Limited  
Annual report and financial statements  
for the year ended 31 August 2003

Registered number: 701364



# APW Electronics Limited

## Annual report and financial statements for the year ended 31 August 2003

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# **APW Electronics Limited**

## **Directors and advisors**

### **Directors**

S L Kirby  
M F Gasick

### **Secretary**

S L Kirby

### **Auditors**

PricewaterhouseCoopers LLP  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

### **Bankers**

The Royal Bank of Scotland plc  
Bishopsgate Branch  
PO Box 34  
London  
EC2P 2AP

### **Registered office**

Electron Way  
Chandlers Ford  
Eastleigh  
Hampshire  
SO53 4ZR

# **APW Electronics Limited**

## **Directors' report for the year ended 31 August 2003**

The directors present their report and financial statements for the year to 31 August 2003, together with the comparative accounts for the year to 31 August 2002.

### **Results and dividends**

The results for the year under review are set out in the profit and loss account on page 6. No dividends have been paid during the year (2002: £Nil) and no final dividend has been declared (2002: £Nil). The retained loss detailed on page 6 has been taken to reserves.

### **Principal activity and review of the business**

The Company's principal activity during the year continued to be the manufacture and sale of mechanical and electronic components for the electronics and telecommunications industries. The Company will continue to develop new products and market them throughout the world. The directors' have considered the company's ability to continue as a going concern as detailed in note 1 to the financial statements.

### **Directors and their interests**

The directors during the year and subsequently were as follows:

C Flack	(Resigned: 1 May 2003)
K Pandya	(Resigned: 8 August 2003)
T Adams	(Resigned: 11 April 2003)
E Swan	(Resigned: 6 November 2002)
S L Kirby	(Appointed: 10 September 2002)
P Callan	(Appointed: 6 November 2002, resigned: 8 August 2003)
M F Gasick	(Appointed: 12 May 2003)

None of the directors had any interests in the shares of the company at 31 August 2003 (2002: None). No directors were granted options over the shares of the ultimate parent company, APW Limited during the year (2002: Two). None of the directors exercised options over the shares in the year (2002: Five).

### **Ongoing support**

APW Ltd, the ultimate parent company registered in Bermuda, has indicated that it will continue to provide financial support while APW Electronics Limited remains within the APW Group, for the foreseeable future in order to enable the company to trade without any significant curtailment of its activities.

### **Charitable and political contributions**

The Company made no charitable or political donations during the year (2002: Nil).

# **APW Electronics Limited**

## **Directors' report for the year ended 31 August 2003 (continued)**

### **Employees**

The company has a policy under which any employee who may be disabled is assured of continued employment. Disabled people are given the same consideration as others for all job vacancies for which they apply as suitable candidates.

The company recognises the importance of the fullest employee communications. All employees are involved in briefing meetings and numerous other forms of personal and written communications.

### **Research and development**

Where appropriate the Company undertakes research in connection with the development of new products and the improvement of those currently provided.

### **Post balance sheet events**

Post balance sheet events have been noted within note 22 of the financial statements

### **Statement of directors' responsibilities in respect of the accounts**

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the accounts on a going concern basis, unless it is inappropriate to assume that the company will continue in business.


The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards as explained on page 7 under note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 August 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board



S L Kirby  
Secretary  
22 December 2004

## **Independent auditors' report to the member of APW Electronics Limited**

We have audited the financial statements which comprise the profit and loss account and balance sheet and the related notes.

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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

### **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.

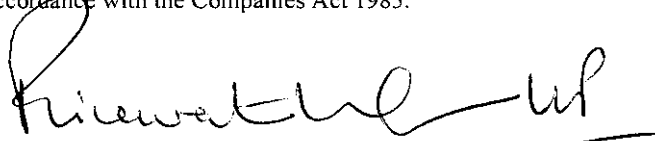
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, the evidence available to us to confirm the appropriateness of preparing the financial statements on the going concern basis was limited. The company is dependent on support of its parent APW Limited and appropriate consolidated profit or cash flow projections for the APW Limited Group have not been completed for an appropriate period subsequent to the signing of the financial statements. As a result, we have been unable to form a view as to the applicability of the going concern basis, the circumstances of which, together with the effect on the financial statements should this basis be inappropriate, are set out in note 1 to the financial statements.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Independent auditors' report to the member of APW Electronics Limited

### Qualified opinion arising from limitation in audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the appropriateness of preparing the financial statements on the going concern basis, in our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 August 2003 and of the loss of the Company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Birmingham  
22 December 2004

## APW Electronics Limited

### Profit and loss account for the year ended 31 August 2003

		2003	Restated 2002
	Notes	£'000	£'000
<b>Turnover – continuing operations</b>	2	<b>63,925</b>	83,879
Cost of sales		<b>(70,730)</b>	(85,602)
<b>Gross loss</b>		<b>(6,805)</b>	(1,723)
Distribution costs		<b>(2,848)</b>	(4,556)
Administration expenses		<b>(3,683)</b>	(10,108)
Exceptional administration expenses	3	<b>(8,747)</b>	(448)
Total administration expenses		<b>(15,278)</b>	(10,566)
<b>Operating loss – continuing operations</b>	3	<b>(22,083)</b>	(16,835)
Net interest receivable	6	<b>17</b>	25
Dividends		<b>132</b>	-
<b>Loss on ordinary activities before taxation</b>		<b>(21,934)</b>	(16,810)
Tax on loss on ordinary activities	7	<b>98</b>	-
<b>Loss for the year</b>	15	<b>(21,836)</b>	(16,810)

There are no other recognised gains or losses and therefore no separate statement of recognised gains or losses has been prepared.

All of the above relate to continuing operations

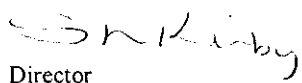
There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents.

# APW Electronics Limited

## Balance sheet as at 31 August 2003

	Notes	2003 £'000	2002 £'000
<b>Fixed assets</b>			
Tangible assets	8	9,502	15,132
Investments	9	-	1,575
		<b>9,502</b>	<b>16,707</b>
<b>Current assets</b>			
Inventory	10	3,424	7,597
Debtors	11	31,166	17,253
Cash at bank and in hand		400	225
		<b>34,990</b>	<b>25,075</b>
<b>Creditors: amounts falling due within one year</b>	12	<b>(84,712)</b>	<b>(62,121)</b>
<b>Net current liabilities</b>		<b>(49,722)</b>	<b>(37,046)</b>
<b>Total assets less current liabilities</b>		<b>(40,220)</b>	<b>(20,339)</b>
<b>Provisions for liabilities and charges</b>	13	<b>(5,175)</b>	<b>(3,220)</b>
<b>Net liabilities</b>		<b>(45,395)</b>	<b>(23,559)</b>
<b>Capital and reserves</b>			
Called up share capital	14	306	306
Share premium account	15	283	283
Profit and loss account	15	(45,984)	(24,148)
<b>Shareholders' funds</b>	15	<b>(45,395)</b>	<b>(23,559)</b>
Shareholders' funds comprise:			
Equity interests		(45,548)	(23,712)
Non equity interests		153	153
		<b>(45,395)</b>	<b>(23,559)</b>

The financial statements on pages 6 to 25 were approved by the board of directors on 22 December 2004 and signed on its behalf by:

  
Director

# **APW Electronics Limited**

## **Notes to the financial statements for the year ended 31 August 2003**

### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered to be material to the company's financial statements.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

#### **Basis of preparation**

The Company is exempt from the requirement to prepare group accounts by virtue of Section 228 of the Companies Act 1985 as a subsidiary of APW BV, which prepares consolidated financial statements. These accounts therefore present information about the Company as an individual undertaking and not about its group.

#### **Basis of preparing the accounts – going concern**

The financial statements have been prepared under a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. APW Electronics Limited forms part of the APW Limited group financing arrangements, being a term loan and a global credit facility. The financing arrangements require certain financial covenants to be maintained by the Group.

In considering the applicability of the going concern basis, the directors are reliant upon the future projected results of APW Limited Group and its financing arrangements. The Directors of the APW Limited Group have yet to complete their assessment of the going concern basis for the APW Limited Group for the year ended 31 August 2003 and therefore the Directors of APW Electronics Limited are unable to consider a period of at least 12 months from the signing date of APW Electronics Limited's financial statements in assessing the going concern basis. The Directors will not be able to undertake such a consideration until the APW Limited Group consideration of their going concern has been concluded.

Whilst the Directors of the company cannot be certain as to the viability of the assumption that the Company will continue in operational existence they believe that it is appropriate for the financial statements to be prepared on a going concern basis.

If APW Electronics Limited were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the value of the assets to their recoverable amounts and to provide for further liabilities that may arise.

#### **Cash flow statement**

The Company has utilised the exemptions provided under Financial Reporting Standard No. 1 (Revised 1996) and has not presented a cash flow statement. The cash flow statement has been presented in the group accounts of APW Ltd, the Company's ultimate parent undertaking.

#### **Research and development expenditure**

All research and development expenditure is charged against the profit and loss account in the period in which it is incurred.

# APW Electronics Limited

## Notes to the financial statements for the year ended 31 August 2003 (continued)

### 1 Accounting policies (continued)

#### 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 based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Leasehold buildings: more than 40 years unexpired	-	over 40 years
Leasehold buildings: less than 40 years unexpired	-	equally over the life of the lease
Plant and machinery	-	over 3 to 25 years

#### Inventory

Inventory is stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value, as follows:

Raw materials, consumables and goods for resale	—	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 a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

#### Research and development

Research and development expenditure is written off as incurred.

#### Deferred taxation

Deferred taxation is accounted for to recognise timing differences between the recognition of gains and losses in the financial statements and their recognition for taxation purposes. The company has adopted FRS 19 'Deferred Tax' which requires full provision to be made for deferred tax assets and liabilities arising from the timing differences between the recognition for taxation purposes. A deferred tax liability is recognised if transactions or events result in the company having an obligation to pay more tax in future periods. Where transactions or events that have occurred before the balance sheet date give the company the right to pay less tax in future a deferred tax asset will only be recognised to the extent that it is considered to be more likely than not that it will be recovered.

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### Leasing commitments

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

# **APW Electronics Limited**

## **Notes to the financial statements for the year ended 31 August 2003 (continued)**

### **1 Accounting policies (continued)**

#### **Pensions**

The Company operates a defined benefit pension scheme for substantially all employees which require contributions to be made to a separately administered fund. Contributions to this fund are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amount charged to the profit and loss account are treated as either provisions or pre-payments in the balance sheet.

#### **Related party transactions**

As in excess of 90% of the Company's voting rights are controlled within the APW group, the Company is not required to disclose transactions with other group companies. The Company has not transacted with any other related parties during the year other than, as described in Note 20, with the APW Electronics Limited pension scheme and two associated companies of the APW group.

#### **Fixed asset investments**

Fixed asset investments are stated at cost. To the extent that the directors consider the amount recoverable in respect of the investments is less than the value at which they are included in the balance sheet, a provision is made.

### **2 Turnover**

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

The turnover and pre-tax profit is attributable to one continuing activity, the manufacture and sale of mechanical and electronic components for the electronics and telecommunications industries.

An analysis of turnover by geographical market has not been disclosed as, in the opinion of the directors, it would be seriously prejudicial to the interests of the Company.

## APW Electronics Limited

### Notes to the financial statements for the year ended 31 August 2003 (continued)

#### 3 Operating loss

This is stated after charging:

		2003	2002
		£'000	£'000
Exceptional items	- reorganisation costs	3,296	448
	- impairment of fixed assets	2,098	-
	- dilapidations	1,324	-
	- vacant lease provisions	2,029	-
Auditors' remuneration	- audit services	57	56
Depreciation	- owned	3,082	4,376
Impairment charge (see note 9)		-	132
Operating lease rentals	- land and buildings	3,830 <sup>1</sup>	2,390
	- other	170	283
Loss on disposal of fixed assets		876	41

We have re-stated the 2002 comparative profit and loss account to separately identify the re-organisation costs as exceptional items.

In 2003, exceptional items represented the costs incurred in rationalising the manufacturing sites particularly in respect of Hedge End. The reorganisation costs predominantly relate to redundancy and other payroll related costs.

#### 4 Directors' remuneration

	2003	2002
	£'000	£'000
Emoluments (excluding pension contributions)	-	-

The emoluments of the United States of America based director, T Adams, are paid by United States of America or United Kingdom parent companies. Their services to this company and to a number of fellow subsidiaries are of a non-executive nature and emoluments are deemed to be wholly attributable to services to the parent companies. Accordingly, the above details include no emoluments in respect of these directors. The emoluments of the European group directors, C Flack, K Pandya, E Swan, S L Kirby, P Callen and M Gasick, are paid by the parent company, which makes no recharge to the company. Both are directors of the parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments in this respect.

No retirement benefits are accruing to directors under money purchase and personal pension schemes (2002: two).

## APW Electronics Limited

### Notes to the financial statements for the year ended 31 August 2003 (continued)

#### 5 Staff costs

	2003	2002
	£'000	£'000
Wages and salaries	15,982	19,243
Social security costs	2,100	1,449
Other pension costs (Note 18)	2,056	2,028
	20,138	22,720

Wages and salaries include £nil of redundancy costs (2002: £448,000). The average monthly number of employees during the year, including directors, was as follows:

	2003	2002
	Number	Number
Production and sales	565	782
Management and administration	126	97
Temporary	89	70
	780	949

#### 6 Net interest receivable

	2003	2002
	£'000	£'000
Bank interest payable	-	-
Bank interest receivable	17	32
Group interest payable	-	(50)
Other interest receivable	-	43
	17	25

## APW Electronics Limited

### Notes to the financial statements for the year ended 31 August 2003 (continued)

#### 7 Tax on loss on ordinary activities

	2003	2002
	£'000	£'000
<b>Current tax:</b>		
UK Corporation tax at 30% on loss for the year	(98)	-
UK Corporation tax in respect of prior years	-	-
Deferred taxation	-	-
Tax credit for the year	(98)	-

The difference between the tax on the loss on ordinary activities for the year and the tax assessed on the loss on ordinary activities for the year assessed at the standard rate of corporation tax in the UK (30%) can be explained as follows:

	2003	2002
	£000	£000
Loss on ordinary activities before tax	(21,934)	(16,810)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	(6,580)	(5,043)
Movement on timing differences	586	-
Losses carried forward	4,449	5,321
Permanent differences	158	38
Impairment of subsidiary	-	40
Impairment of fixed assets	629	-
Capital allowances in excess of depreciation	660	(356)
	(98)	-

## APW Electronics Limited

### Notes to the financial statements for the year ended 31 August 2003 (continued)

#### 8 Tangible fixed assets

	Leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1 September 2002	3,048	49,737	52,785
Additions	-	56	56
Net group transfers	312	(1,079)	(767)
Disposals	(1,330)	(14,516)	(15,846)
<b>At 31 August 2003</b>	<b>2,030</b>	<b>34,198</b>	<b>36,228</b>
<b>Depreciation</b>			
At 1 September 2002	1,407	36,246	37,653
Charge for the year	90	2,992	3,082
Reclassification	(910)	910	-
Net group transfers	257	(573)	(316)
Impairment of assets	1,311	787	2,098
Disposals	(1,330)	(14,461)	(15,791)
<b>At 31 August 2003</b>	<b>825</b>	<b>25,901</b>	<b>26,726</b>
<b>Net book value</b>			
<b>At 31 August 2003</b>	<b>1,205</b>	<b>8,297</b>	<b>9,502</b>
At 31 August 2002	1,641	13,491	15,132

## APW Electronics Limited

### Notes to the financial statements for the year ended 31 August 2003 (continued)

#### 9 Investment in subsidiary undertakings

	Subsidiary undertakings
	£'000
As at 1 September 2002	1,575
Liquidation of subsidiaries	(1,575)
<b>At 31 August 2003</b>	<b>-</b>

During the year a number of 100% held dormant companies were liquidated via MVL, which resulted in dividends of £132,000 being received and inter-group loans off-setting the carrying value of investments.

A list of subsidiaries, all of which are registered and operate in England and Wales, is given below:

Name of company	Holding	Proportion held	Nature of business
Wright Line Limited	Ordinary shares	100%	Non trading
APW New Forest Ltd	Ordinary shares	100%	Non trading

#### 10 Inventory

	2003	2002
	£'000	£'000
Raw materials and consumables	980	4,225
Work in progress	2,183	2,877
Finished goods and goods for resale	261	495
	<b>3,424</b>	<b>7,597</b>

The difference between purchase price or production cost of inventory and their replacement cost is not significant.

## APW Electronics Limited

### Notes to the financial statements for the year ended 31 August 2003 (continued)

#### 11 Debtors

	2003	2002
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Trade debtors	7,501	9,464
Amounts due from group companies	22,239	6,165
Prepayments and accrued income	1,426	1,624
	<b>31,166</b>	<b>17,253</b>

#### 12 Creditors: amounts falling due within one year

	2003	2002
	£'000	£'000
Trade creditors	5,528	7,215
Amounts due to group companies	76,437	48,195
Bank loans and overdrafts	-	5,241
Other taxes and social security costs	1,585	551
Accruals and deferred income	1,162	919
	<b>84,712</b>	<b>62,121</b>

## APW Electronics Limited

### Notes to the financial statements for the year ended 31 August 2003 (continued)

#### 13 Provisions for liabilities and charges

The movements in deferred taxation and other provisions during the current year are as follows:

	Vacant leasehold £'000	Dilapidation provisions £'000	Deferred taxation £'000	Total £'000
At 1 September 2002	2,560	660	-	3,220
Reclassification from creditors	600	-	-	600
Charge for the year	2,029	1,324	-	3,353
Released in year	(185)	-	-	(185)
Utilised in year	(1,813)	-	-	(1,813)
<b>At 31 August 2003</b>	<b>3,191</b>	<b>1,984</b>	<b>-</b>	<b>5,175</b>

Other provisions relate to dilapidations on leasehold properties, the costs of which will be incurred over the next twenty years. A discount rate of 7.8% has been used in calculating the provision and vacant lease rentals which will be utilised over the next 2 years.

At 31 August 2003 the company had an unprovided potential deferred tax asset in respect of accelerated capital allowances and other timing differences at 30% of £7,583,000 (2002: £1,313,000). At 31 August 2003 the company had a potential deferred tax asset in respect of tax losses carried forward of £9,076,000 (2002: £9,383,000).

# APW Electronics Limited

## Notes to the financial statements for the year ended 31 August 2003 (continued)

### 14 Share capital

	2003	2002	2003	2002
	Numbers	Numbers	£'000	£'000
<b>Authorised</b>				
Ordinary shares of £1 each	156,825	156,825	157	157
1% non cumulative preference shares of £1 each	153,175	153,175	153	153
	<b>310,000</b>	<b>310,000</b>	<b>310</b>	<b>310</b>
<b>Allotted, called up and fully paid</b>				
Ordinary shares of £1 each	153,175	153,175	153	153
1% non cumulative preference shares of £1 each	153,175	153,175	153	153
	<b>306,350</b>	<b>306,350</b>	<b>306</b>	<b>306</b>

The 1% non cumulative preference shares carry a fixed right to a dividend at the rate of 1% per annum. In the event of a winding up, the 1% preference shares will be repaid at par in priority to the ordinary shares. The preference shares are not redeemable and do not entitle the holders to any voting rights.

### 15 Reconciliation of shareholders' funds and movements on reserves

	Share capital	Share premium account	Profit and loss account	Total
	£'000	£'000	£'000	£'000
Loss for the year	-	-	(21,836)	(21,836)
Net reduction to shareholders' funds	-	-	(21,836)	(21,836)
Shareholders' funds at 1 September 2002	306	283	(24,148)	(23,559)
<b>Shareholders' funds at 31 August 2003</b>	<b>306</b>	<b>283</b>	<b>(45,984)</b>	<b>(45,395)</b>

### 16 Capital commitments

	2003	2002
	£'000	£'000
Contracted but not provided for in the accounts - Plant and machinery	-	75
- Other	-	-
<b>Contracted but not provided for in the accounts</b>	<b>-</b>	<b>75</b>

# APW Electronics Limited

## Notes to the financial statements for the year ended 31 August 2003 (continued)

### 17 Other financial commitments

At 31 August 2003, the Company had annual commitments under non-cancellable operating leases as set out below:

	2003		2002	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire:				
- within one year	226	25	37	45
- within two to five years	154	150	296	238
- in over five years	3,450	-	2,095	-
	<b>3,830</b>	<b>175</b>	<b>2,428</b>	<b>283</b>

### 18 Pension commitments

#### SSAP 24

The company operates a defined benefit scheme, which provides retirement benefits for the majority of its employees. The scheme is funded through separate trustee controlled funds.

The contributions paid to the scheme are in accordance with the advice of professionally qualified actuaries. The latest actuarial valuation report for the scheme is dated 1 June 2002. The aggregate market value of the assets at 1 June 2002 (excluding AVCs and insured annuities) was £30,467,000.

The most recent actuarial valuation shows that the scheme is has a deficit in respect of discontinuance liabilities. In relation to accrued liabilities based on pensionable salaries projected to normal retirement age, the aggregate value of the assets of the scheme represents 79% of these accrued liabilities at 1 June 2002. The pension costs reflected the profit and loss account for 2003 are disclosed in note 5 and represent the employer's actual cash contributions for the accounting period.

The principal assumptions adopted for the actuarial valuations assume that the long-term rate of investment return exceeds the rate of increase in pensionable salaries by 3.15% per annum. The method of funding used in calculating the contribution rates was the Projected Unit Method.

With effect from 15 November 2004, the defined benefit scheme was closed for future accrual and commenced winding up. The company reached a compromise with the Trustees relating to the unfunded liabilities of the scheme, the impact of which will be reflected in the accounts for the period following 31 August 2004.

## APW Electronics Limited

### Notes to the financial statements for the year ended 31 August 2003 (continued)

#### 19 Pension commitments (continued)

##### FRS 17

The company operates a defined benefits scheme, the APW Electronics Limited Pension Scheme. A full valuation was undertaken as at 1 January 2002 and updated to 31 August 2003 by a qualified independent actuary. The major assumptions used by the actuary were:

	2003	2002
Rate of increase in salaries	4.25% p.a.	4.1% p.a.
Rate of increase to LPI pensions in payment	2.5% p.a.	2.6% p.a.
Discount rate	5.5% p.a.	5.6% p.a.
Inflation assumption	2.5% p.a.	2.6% p.a.

The assets of the scheme are invested in a number of unitised investment funds held with various investment managers. The fair value of the assets held and the expected rates of return assumed are as follows:

	Expected rate of return year commencing 31 August 2003	Value at 31 August 2003 £m	Expected rate of return year commencing 31 August 2002	Value at 31 August 2002 £m
Equities (and property for 2003)	8.7%	15	6.6%	15
Bonds	5.3%	13	5.1%	12
Cash	5.5%	2	4.0%	1

The funding position was as follows:

	2003	2002
	£'000	£'000
Total market value of assets	30,511	27,903
Present value of scheme liabilities	(52,527)	(54,441)
<b>Deficit of scheme</b>	<b>(22,016)</b>	<b>(26,538)</b>

# APW Electronics Limited

## Notes to the financial statements for the year ended 31 August 2003 (continued)

### 19 Pension commitments (continued)

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at 31 August 2003 and 31 August 2002 would be as follows:

	2003	2002
	£'000	£'000
Net liabilities excluding pension liability	(45,493)	(23,559)
Pension liability	(22,016)	(26,538)
<b>Net liabilities including pension liability</b>	<b>(67,509)</b>	<b>(50,097)</b>
Profit and loss reserve excluding pension liability	(46,082)	(24,148)
Pension reserve	(22,016)	(26,538)
<b>Profit and loss reserve</b>	<b>(68,098)</b>	<b>(50,686)</b>

An unrecognised potential deferred tax asset of £6,605,000 (2002: £7,961,000) exists in relation to the above pension deficit.

The following amounts would have been recognised in the performance statements in the year to 31 August 2003 under the requirements of FRS 17:

Analysis of the amount chargeable to operating profit:

	2003
	£'000
Current service cost	1,263
Curtailment gain	(1,535)
Past service cost	-
<b>Total operating credit</b>	<b>(272)</b>

## APW Electronics Limited

### Notes to the financial statements for the year ended 31 August 2003 (continued)

#### 19 Pension commitments (continued)

Analysis of the amount to be credited to other finance income:

	2003
	£'000
Expected return on pension scheme assets	2,065
Interest on pension scheme liabilities	(3,164)
<b>Net charge</b>	<b>(1,099)</b>

Analysis of amount recognisable in statement of total recognised gains and losses

	2003
	£'000
Actual return less expected return on pension scheme assets	(1,040)
Experience gains arising on scheme liabilities	9,356
Changes in assumptions underlying present value of scheme liabilities	(5,190)
<b>Actuarial gain recognised</b>	<b>3,126</b>

## APW Electronics Limited

### Notes to the financial statements for the year ended 31 August 2003 (continued)

#### 19 Pension commitments (continued)

##### Movement in deficit during the year

	2003
	£'000
Deficit at the beginning of the year	(26,538)
Current service cost	(1,263)
Contributions	2,223
Past service cost	-
Curtailement gain	1,535
Other financial income	(1,099)
Actuarial gain	3,126
	(22,016)

As a result of the actuarial valuation as at 1 June 2002, the employer contribution rate to the Scheme was 15.9% of Pensionable Salaries between 31 August 2002 and March 2003 and was changed to £178,000 per month plus 2% of Pensionable Salaries on 1 March 2003. It is planned that the contribution rate will change to 20% of Pensionable Salaries from March 2004.

## APW Electronics Limited

### Notes to the financial statements for the year ended 31 August 2003 (continued)

#### 19 Pension commitments (continued)

##### History of experience gains and losses

	2003
	£'000
<hr/>	
Difference between expected and actual return on scheme assets:	
Amount (£'000's)	(1,040)
Percentage of Scheme assets	(3.4%)
Experience gains and losses on Scheme liabilities	
Amount (£'000's)	9,356
Percentage of present value of Scheme Liabilities	17.8%
Actuarial gain on scheme liabilities	
Amount (£'000's)	3,126
Percentage of present value of Scheme Liabilities	6.0%

#### 20 Related party transactions

The Company recharges the APW Electronics Limited pension scheme with the costs of administration and independent advisors borne by the Company. The total amount recharged during the year to 31 August 2003 was £83,961 (2002: £296,659).

#### 21 Ultimate parent undertaking

The company's immediate parent company is APW Electronics Group Ltd, a company incorporated in England and Wales. Its ultimate parent company and controlling party is APW Ltd, a company incorporated in Bermuda and resident in Barbados.

Copies of APW Ltd accounts can be obtained from Clarendon House, Church Street, PO Box 666, Hamilton, HMCX, Bermuda.

The smallest group for which accounts are prepared is APW BV, which is registered in The Netherlands. Copies of its accounts can be obtained from The Directors, P.O. Box 160, 2210 AD Noordwijkerhout, The Netherlands.

## **APW Electronics Limited**

### **Notes to the financial statements for the year ended 31 August 2003 (continued)**

#### **22 Post balance sheet events**

##### Receivables facility

On March 30 2004 the company entered into a receivables facility whereby it assigned its entire receivables to GMAC Corporate Finance.

##### Pension scheme

On 10 November 2004 the Company entered into a compromise agreement with the Trustees of its Defined Benefit Pension Scheme, which received High Court approval on 12 November 2004, the consequence of which was that the Scheme commenced wind up in deficit with effect from 15 November 2004.

##### Closure of Uxbridge

During 2004, APWEL announced that it would close its Uxbridge manufacturing facility and transfer the majority of its business to its other facility at Chandlers Ford. Some elements of the business were not retained by APWEL but were taken by fellow subsidiary group companies.

#### **23 Contingent liabilities**

On 31 July 2002, the company, along with a number of its fellow subsidiaries entered into bank guarantees to cross guarantee a \$110,000,000 revolving credit facility and \$100,000,000 term loan. During 2003 the \$100,000,000 term loan was capitalized and the revolving credit facility increased to \$120,000,000 together with a bridge loan of \$60,000,000 which remains in place today. In addition to these facilities a further \$15,000,000 (February 2004) and \$5,000,000 (March 2004) have been utilised. These facilities are secured against all of the assets of the company.