

AB Electronic Limited
Financial statements
For the year ended 31 December 2004



Company No. 542914

Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2004.

Principal activities and business review

The principal activity of the company is the design and manufacture of precision potentiometers and proximity switches.

The loss for the year after taxation amounted to £435,000 (2003 - profit £282,000).

Future developments

The directors consider that they have taken appropriate measures to improve the company's profitability.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend (2003 - £nil).

Research and development

Research and development costs are written off in the profit and loss account in the period in which they occur. Amounts written off during the year are disclosed in note 3.

Directors

The directors who served the company during the year and since the year end were as follows:

J H Gray	(Appointed 1 January 2005)
M A Ennever	
P L Joyce	
S W Weddle	
G M Entwistle	(Appointed 5 April 2004)
N A Rodgers	(Resigned 5 April 2004)

None of the directors had any interest in the shares of the company.

The beneficial interests of each director in the shares of the ultimate parent undertaking are noted below:

	25p ordinary shares		1 January 2004 (or date of appointment)	
	31 December 2004		Shares	Options
	Shares	Options	Shares	Options
M A Ennever	5,816	32,891	5,816	28,719
P L Joyce	2,716	32,891	2,716	28,719
G M Entwistle	6,450	232,565	6,450	199,324
S W Weddle	-	-	-	-
	<u>14,982</u>	<u>298,347</u>	<u>14,982</u>	<u>256,762</u>

Share options are exercisable on or after:

	Number of options
4 April 1998 at 241.000p	4,285
15 April 1999 at 319.000p	5,500
6 June 1999 at 353.000p	3,250
22 April 2000 at 359.000p	6,964
24 March 2001 at 300.000p	8,387
31 March 2002 at 177.500p	29,576
28 March 2003 at 91.500p	57,375
18 April 2004 at 163.000p	33,750
3 April 2005 at 165.000p	34,425
26 March 2006 at 80.000p	73,250
25 May 2007 at 145.000p	41,585
	<hr/> <u>298,347</u>

No director exercised share options during the year.

Directors' responsibilities

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 at the end of the year and of the profit or loss for the year then ended. 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, subject to any material departures disclosed and explained in the financial statements
- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office and in accordance with section 385 of the Companies Act 1985 a resolution proposing their re-appointment will be put to the forthcoming Annual General Meeting.

REGISTERED OFFICE:
Spring Gardens
Romford
Essex
RM7 9LP

BY ORDER OF THE BOARD



M G Leigh
Secretary
18 March 2005

Report of the independent auditors to the members of AB Electronic Limited

We have audited the financial statements which comprise the profit and loss account, the 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. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the independent auditors to the members of AB Electronic Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Harman House
1 George Street
Uxbridge
UB8 1QQ

18 March 2005

Principal accounting policies

Accounting convention

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

The principal accounting policies of the company are set out below. The policies have remained unchanged from the previous year.

Cash flow statement

The company is a wholly owned subsidiary of TT electronics plc and the cash flows of the company are included in the consolidated group cash flow statement of TT electronics plc. Consequently, the company is exempt under the terms of FRS 1 "Cash Flow Statements" from publishing a cash flow statement.

Turnover

Turnover is the invoiced value of goods and services supplied excluding VAT. Transactions are recorded as sales when the delivery of products or performance of services takes place in accordance with the contract terms of sale.

Research and development

Research and development costs are incurred in the development of new products and processes and in the substantial improvement of existing products and processes. The expenditure is charged to the profit and loss account as incurred.

Fixed assets

Tangible fixed assets are stated at cost, less a provision for depreciation.

The carrying values of fixed assets are reviewed for impairment where there is an indication that the asset may be impaired.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold buildings	- 50 years
Plant, equipment and vehicles	- between 3 and 10 years on cost according to asset type

No depreciation is provided on freehold land.

Stocks

Stocks and work in progress are stated at the lower of cost, including related overheads, and net realisable value.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax on defined benefit pension scheme surpluses or deficits is adjusted against these surpluses. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using the rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated at rates ruling at the balance sheet date. Transactions during the year are translated at rates ruling at the time of the transactions. Exchange differences which arise from normal trading are dealt with through the profit and loss account.

Pension commitments

Defined Benefit Pension Scheme

Pension costs are charged to the profit and loss account so as to spread the cost over the expected average service lives of employees in accordance with the recommendation of independent actuaries.

Profit and loss account

	Note	2004 £000	2003 £000
Turnover	1	7,249	5,433
Cost of sales		(6,638)	(4,389)
Gross profit		<u>611</u>	<u>1,044</u>
Other operating charges	2	(1,170)	(629)
Operating (loss)/profit	3	<u>(559)</u>	<u>415</u>
Interest payable and similar charges	6	(58)	(34)
(Loss)/profit on ordinary activities before taxation		<u>(617)</u>	<u>381</u>
Tax on (loss)/profit on ordinary activities	7	182	(99)
(Loss)/retained profit for the financial year	17	<u>(435)</u>	<u>282</u>

All of the activities of the company are classed as continuing.


The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

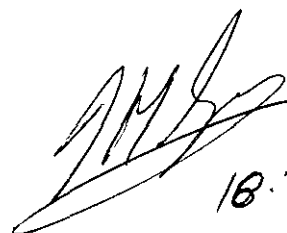
	Note	2004 £000	2003 £000
Fixed assets			
Tangible assets	8	<u>1,795</u>	<u>1,420</u>
Current assets			
Stocks	9	1,472	879
Debtors	10	<u>1,957</u>	<u>1,501</u>
		3,429	2,380
Creditors: amounts falling due within one year	12	<u>(3,392)</u>	<u>(1,533)</u>
Net current assets		<u>37</u>	<u>847</u>
Total assets less current liabilities		<u>1,832</u>	<u>2,267</u>
Creditors: amounts falling due after more than one year	13	<u>(1,065)</u>	<u>(1,065)</u>
		<u>767</u>	<u>1,202</u>
Capital and reserves			
Called-up equity share capital	16	713	713
Profit and loss account	17	<u>54</u>	<u>489</u>
Shareholders' funds	18	<u>767</u>	<u>1,202</u>

These financial statements were approved by the directors on 18 March 2005 and are signed on their behalf by:

P L Joyce

 18/3/05

J H Gray

 18.3.05

Notes to the financial statements

1 Turnover

Turnover is derived from the design and manufacture of precision potentiometers and proximity switches. An analysis of turnover is given below:

	2004 £000	2003 £000
United Kingdom	1,835	1,578
Rest of Europe	3,427	2,842
North America	1,952	985
Rest of the World	35	28
	<u>7,249</u>	<u>5,433</u>

The whole of turnover and loss on ordinary activities before taxation originated in the United Kingdom.

2 Other operating income and charges

	2004 £000	2003 £000
Distribution costs	878	308
Administrative expenses	292	321
	<u>1,170</u>	<u>629</u>

3 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

	2004 £000	2003 £000
Research and development expenditure written off	454	387
Depreciation of owned fixed assets	297	412
Auditors' remuneration:		
Audit fees	11	10
	<u> </u>	<u> </u>

4 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	2004 No	2003 No
Production	146	106
Sales and distribution	9	9
Administration	5	5
	<u>160</u>	<u>120</u>

The aggregate payroll costs of the above were:

	2004 £000	2003 £000
Wages and salaries	3,140	2,287
Social security costs	257	193
Other pension costs	163	129
	<u>3,560</u>	<u>2,609</u>

5 Directors

Remuneration in respect of directors was as follows:

	2004 £000	2003 £000
Emoluments receivable	<u>182</u>	<u>128</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2004 No	2003 No
Defined benefit schemes	<u>2</u>	<u>2</u>

6 Interest payable and similar charges

	2004 £000	2003 £000
To group undertakings	<u>58</u>	<u>34</u>

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2004 £000	2003 £000
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2003 - 30%)	(222)	138
Adjustment in respect of prior periods	(4)	(17)
Total current tax	<u>(226)</u>	<u>121</u>
Deferred tax:		
Origination and reversal of timing differences	44	(22)
Tax on (loss)/profit on ordinary activities	<u>(182)</u>	<u>99</u>

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	2004 £000	2003 £000
(Loss)/profit on ordinary activities before taxation	<u>(617)</u>	<u>381</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2003 - 30%)	(185)	114
Expenses not deductible for tax purposes	4	4
Capital allowances in the period (in excess of)/less than depreciation	(41)	19
Other	-	1
Adjustment in respect of prior periods	(4)	(17)
Total current tax (note 7(a))	<u>(226)</u>	<u>121</u>

8 Tangible fixed assets

	Freehold Land & Buildings £000	Plant, Equipment and Vehicles £000	Total £000
Cost			
At 1 January 2004	800	7,125	7,925
Additions	–	672	672
At 31 December 2004	<u>800</u>	<u>7,797</u>	<u>8,597</u>
Depreciation			
At 1 January 2004	156	6,349	6,505
Charge for the year	12	285	297
At 31 December 2004	<u>168</u>	<u>6,634</u>	<u>6,802</u>
Net book value			
At 31 December 2004	<u>632</u>	<u>1,163</u>	<u>1,795</u>
At 31 December 2003	<u>644</u>	<u>776</u>	<u>1,420</u>

The net book value amount of freehold land and buildings included £200,000 (2003 - £200,000) in respect of land.

9 Stocks

	2004 £000	2003 £000
Raw materials	941	438
Work in progress	292	185
Finished goods	239	256
	<u>1,472</u>	<u>879</u>

10 Debtors

	2004 £000	2003 £000
Trade debtors	1,381	1,042
Amounts owed by group undertakings	108	184
Corporation tax repayable	259	–
Other debtors	105	–
Prepayments and accrued income	71	198
Deferred taxation (note 11)	33	77
	<u>1,957</u>	<u>1,501</u>

10 Debtors (continued)

The debtors above include the following amounts falling due after more than one year:

	2004 £000	2003 £000
Deferred tax asset	<u>33</u>	<u>77</u>

11 Deferred taxation

The deferred tax included in the Balance sheet is as follows:

	2004 £000	2003 £000
Included in debtors (note 10)	<u>33</u>	<u>77</u>

The movement in the deferred taxation account during the year was:

	2004 £000	2003 £000
Balance brought forward	77	55
Profit and loss account movement arising during the year	(44)	22
Balance carried forward	<u>33</u>	<u>77</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2004 £000	2003 £000
Excess of taxation allowances over depreciation on fixed assets	29	73
Other timing differences	4	4
	<u>33</u>	<u>77</u>

12 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Bank loans and overdrafts	1,283	804
Trade creditors	764	460
Amounts owed to group undertakings	1,271	51
Corporation tax	-	97
Other taxation and social security	-	32
Accruals and deferred income	74	89
	<u>3,392</u>	<u>1,533</u>

Bank overdrafts are repayable on demand.

13 Creditors: amounts falling due after more than one year

	2004 £000	2003 £000
Amounts owed to group undertakings	<u>1,065</u>	<u>1,065</u>

Amounts owed to group undertakings are repayable after more than one year. No interest is payable on this amount.

14 Contingent liabilities

There was a cross guarantee between certain companies in the group on all bank overdrafts with the HSBC Bank plc. At 31 December 2004 the amount thus guaranteed by the company was £5,355,000 (2003 - £4,154,000).

15 Related party transactions

The company has taken advantage of the exemption available under FRS 8 and has not disclosed transactions with companies that are part of the TT electronics group of companies.

During the year the company has, in the ordinary course of business, supplied goods and services valued at £9,000 (2003 - £27,000) and purchased goods and services valued at £2,000 (2003 - £4,000) from companies which J W Newman, director of TT electronics plc, was interested at the year end. Such supplies were on normal credit terms. The balance at the year end included in trade debtors is £nil (2003 - £nil).

16 Share capital

Authorised share capital:	2004 £000		2003 £000	
2,852,500 Ordinary shares of £0.25 each	<u>713</u>		<u>713</u>	
Allotted, called up and fully paid:				
	2004 No	£000	2003 No	£000
Ordinary shares of £0.25 each	<u>2,852,500</u>	<u>713</u>	<u>2,852,500</u>	<u>713</u>

17 Reserves

	Profit and loss account £000
At 1 January 2004	489
Loss for the year	(435)
At 31 December 2004	<u>54</u>

18 Reconciliation of movements in shareholders' funds

	2004 £000	2003 £000
(Loss)/Profit for the financial year	(435)	282
Opening shareholders' equity funds	1,202	920
Closing shareholders' equity funds	<u>767</u>	<u>1,202</u>

19 Pension commitments

The company participates in a defined benefit pension scheme to provide benefits to directors and employees. The scheme is set up under trust and its assets are therefore independent of those of the company.

Pension costs are based on the advice of an independent qualified actuary and are taken to the profit and loss account over the average working lives of the members. The latest actuarial valuation of the scheme was as in April 2003 at which time, using the projected unit cost method, the assets of the scheme showed an actuarial valuation of £45.2m representing 72% of the benefits accrued to members. The principal assumptions used by the actuary were that the investment returns would be 3.9% higher than the growth in annual salaries and that pensions in the course of payment could increase by up to 3.0% per annum.

The total contributions charged by the company in respect of the year ended 31 December 2004 were £163,000 (2003 - £129,000). The difference between the accumulated charge and the payments made to the scheme is dealt with in debtors and creditors as appropriate.

Transitional FRS17 disclosures for defined benefit schemes

The defined benefit scheme participated in by the company is a multi-employer pension scheme. The company is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the company has taken advantage of the exemption in FRS17 and accounted for the scheme as if it were a defined contribution scheme.

The disclosures in relation to the pension scheme can be obtained from the TT electronics plc accounts.

20 Ultimate parent company

Crystalate Electronics Limited is the company's controlling party by virtue of its 100 per cent interest in the company.

The company's ultimate controlling party and ultimate parent undertaking is TT electronics plc which is registered in England and Wales.

Copies of TT electronics plc financial statements can be obtained from the registered office at Clive House, 12-18 Queens Road, Weybridge, Surrey, KT13 9XB.