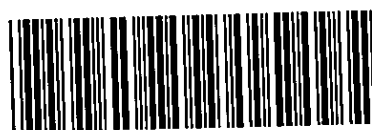


Financial statements AB Electronic Limited

For the Year Ended 31 December 2008

TUESDAY



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19/05/2009
COMPANIES HOUSE

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 2008.

Principal activities and business review

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

Future Developments

During 2008 plans were completed which will significantly reduce the manufacturing cost of the company's products and reduce the fixed cost base. The plans involve moving a significant part of the manufacturing capacity to low cost countries and moving the residual UK facility to a smaller site in the UK. At December 2008 the plans are well advanced and will be completed during 2009. The directors consider that the actions taken in 2008 and planned for 2009 will be sufficient to return the company to a profitable position in 2009.

Business Review

The company was adversely affected by the general worldwide recession during the second half of 2008. However, the established customer base remains, inflationary pressures on material supplies have been largely resisted, the fixed cost base has been reduced and further improvements in manufacturing efficiency achieved during 2008.

Principal Risks and Uncertainties

The company is exposed to transaction and translation foreign exchange risk. However, transaction exposures are hedged using the forward hedge market and are mitigated by increasing foreign currency purchasing offsetting foreign currency sales.

Development and Performance

The directors regularly review gross margins, material pricing trends and manufacturing efficiency through various established key performance indicators. The directors regularly review medium term business forecasts to ensure appropriate action is taken to maintain profitability. Product development opportunities are pursued with existing and potential customers and assessed regularly by the directors.

Results and dividends

The loss for the year amounted to £1,263,000 including a restructuring charge of £1,101,000. The directors have not recommended a dividend.

Financial risk management objectives and policies

The company uses financial instruments, other than derivatives, comprising borrowings, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The main risks arising from the company's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from the previous year.

Interest rate risk

The company finances its operations through a mixture of retained profits, inter-company accounts and bank borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed on a group basis by the use of both fixed and floating facilities.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through inter-company accounts and bank overdraft facilities.

Currency risk

The company is exposed to transaction and translation foreign exchange risk. In relation to translation risk the proportion of assets held in the foreign currency are matched to an appropriate level of borrowings in the same currency. Transaction exposures are hedged when known, mainly using the forward hedge market.

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 were as follows:

P L Joyce	
S F Munday	
A J Corney	
J N Sawford	
P D Fountain	(Appointed 3 April 2008)
J H Gray	(Resigned 19 June 2008)
C E Irving-Swift	(Resigned 15 December 2008)

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 these 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 UK 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 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

REGISTERED OFFICE:
Spring Gardens
Romford
Essex
RM7 9LP

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to be 'W J Sharp', written over a horizontal line.

W J Sharp
Secretary
13 March 2009

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

We have audited the financial statements of AB Electronic Limited for the year ended 31 December 2008 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 23. These financial statements have been prepared under 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 auditor's 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 auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

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

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

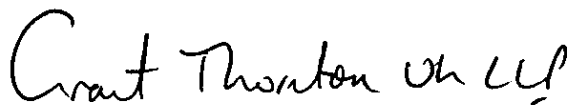
Report of the independent auditor to the members of AB Electronic Limited (continued)

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

SHEFFIELD
13 March 2009

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:

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

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

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

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.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability. Dividends and distributions relating to equity instruments are debited direct to equity.

Pension commitments

Defined Benefit Pension Scheme

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 FRS 17 to assess the liabilities of the scheme at 31 December 2008. Accordingly, the pension costs in respect of the defined benefit scheme represent the amount of contributions payable in respect of the accounting period.

Defined Contribution Pension Scheme

Pension costs represent the amount of contributions payable in respect of the accounting period.

Share-based payments

The fair value at the date of grant of share based remuneration, principally share options, is calculated using a binomial pricing model and charged to the income statement on a straight line basis over the vesting period of the award. The charge to the income statement takes account of the estimated number of shares that will vest. All share based remuneration is equity settled.

Profit and loss account

	Note	2008 £000	2007 £000
Turnover	1	10,613	11,329
Cost of sales		(9,334)	(9,711)
Gross profit		<u>1,279</u>	<u>1,618</u>
Other operating charges	2	(1,801)	(1,810)
Operating loss	3	<u>(522)</u>	<u>(192)</u>
(Loss)/profit on disposal of fixed assets	6	(1)	1,804
Cost of restructuring the company	7	(1,101)	–
		<u>(1,624)</u>	<u>1,612</u>
Interest receivable		2	–
Interest payable and similar charges	8	(10)	(70)
(Loss)/profit on ordinary activities before taxation		<u>(1,632)</u>	<u>1,542</u>
Tax on (loss)/profit on ordinary activities	9	369	(11)
(Loss)/profit for the financial year	19	<u>(1,263)</u>	<u>1,531</u>

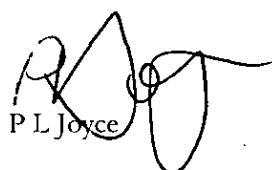
All of the activities of the company are classed as continuing.

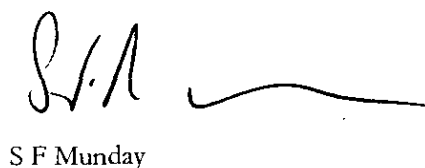
The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2008 £000	2007 £000
Fixed assets			
Tangible assets	10	<u>316</u>	<u>618</u>
Current assets			
Stocks	11	2,118	1,442
Debtors	12	2,398	4,399
		<u>4,516</u>	<u>5,841</u>
Creditors: amounts falling due within one year	13	<u>(3,610)</u>	<u>(3,974)</u>
Net current assets		<u>906</u>	<u>1,867</u>
Total assets less current liabilities		<u>1,222</u>	<u>2,485</u>
Creditors: amounts falling due after more than one year	14	<u>(1,065)</u>	<u>(1,065)</u>
		<u>157</u>	<u>1,420</u>
Capital and reserves			
Called-up equity share capital	18	713	713
Profit and loss account	19	(556)	707
Shareholders' funds	20	<u>157</u>	<u>1,420</u>

These financial statements were approved by the directors and authorised for issue on 13 March 2009, and are signed on their behalf by:


 P L Joyce


 S F Munday

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:

	2008	2007
	£000	£000
United Kingdom	3,090	3,932
Rest of Europe	5,984	5,350
North America	753	1,942
Rest of the World	786	105
	<u>10,613</u>	<u>11,329</u>

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

2 Other operating charges

	2008	2007
	£000	£000
Distribution costs	930	1,008
Administrative expenses	871	802
	<u>1,801</u>	<u>1,810</u>

3 Operating loss

Operating loss is stated after charging:

	2008	2007
	£000	£000
Research and development expenditure written off	378	393
Depreciation of owned fixed assets	323	443
Auditor's remuneration:		
Audit fees	18	17
	<u>719</u>	<u>853</u>

4 Directors and employees

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

	2008	2007
	No	No
Production	132	164
Sales and distribution	7	8
Administration	5	7
	<u>144</u>	<u>179</u>

The aggregate payroll costs of the above were:

	2008	2007
	£000	£000
Wages and salaries	3,672	3,785
Social security costs	310	314
Other pension costs	171	192
	<u>4,153</u>	<u>4,291</u>

5 Directors

Remuneration in respect of directors was as follows:

	2008	2007
	£000	£000
Emoluments receivable	<u>282</u>	<u>277</u>

Emoluments of highest paid director:

	2008	2007
	£000	£000
Total emoluments (excluding pension contributions)	<u>76</u>	<u>91</u>

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

	2008	2007
	No	No
Defined benefit schemes	<u>2</u>	<u>2</u>

6 Loss/profit on disposal of fixed assets

	2008	2007
	£000	£000
(Loss)/profit on disposal of fixed assets	<u>(1)</u>	<u>1,804</u>

7 Exceptional restructuring cost

The production site at Romford is closing and production is being transferred to China and India.

8 Interest payable and similar charges

	2008 £000	2007 £000
To group undertakings	<u>10</u>	<u>70</u>

9 Taxation on ordinary activities

(a) Analysis of charge in the year

	2008 £000	2007 £000
Current tax:		
UK Corporation tax based on the results for the year at 28.50% (2007 - 30%)	(362)	9
Adjustment in respect of prior periods	(7)	2
Total current tax	<u>(369)</u>	<u>11</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 28.50% (2007 - 30%).

	2008 £000	2007 £000
(Loss)/profit on ordinary activities before taxation	<u>(1,632)</u>	<u>1,542</u>
(Loss)/profit on ordinary activities by rate of tax	(465)	463
Expenses not deductible for tax purposes	5	25
Depreciation for the period in excess of capital allowances	97	131
Short term timing differences	1	-
Profit on disposal of fixed assets	-	(541)
Adjustment in respect of prior periods	(7)	2
Utilisation of losses	-	(69)
Total current tax (note 8(a))	<u>(369)</u>	<u>11</u>

10 Tangible fixed assets

**Plant, Equipment and
Vehicles
£000**

Cost	
At 1 January 2008	7,927
Additions	115
Disposals	(285)
At 31 December 2008	<u>7,757</u>
Depreciation	
At 1 January 2008	7,309
Charge for the year	323
On disposals	(191)
At 31 December 2008	<u>7,441</u>
Net book value	
At 31 December 2008	<u>316</u>
At 31 December 2007	<u>618</u>

11 Stocks

	2008	2007
	£000	£000
Raw materials	534	584
Work in progress	92	197
Finished goods	1,492	661
	<u>2,118</u>	<u>1,442</u>

12 Debtors

	2008	2007
	£000	£000
Trade debtors	1,482	1,741
Amounts owed by group undertakings	689	53
Corporation tax repayable	189	30
Prepayments and accrued income	38	2,575
	<u>2,398</u>	<u>4,399</u>

13 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Overdrafts	642	1,503
Trade creditors	530	710
Amounts owed to group undertakings	1,317	1,239
Other taxation and social security	78	29
Accruals and deferred income	1,043	493
	<u>3,610</u>	<u>3,974</u>

14 Creditors: amounts falling due after more than one year

	2008 £000	2007 £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.

15 Derivatives

The fair value of derivatives held by the company at 31 December, not recognised in the financial statements is as set out below.

	2008 £000	2007 £000
Forward exchange contracts	<u>44</u>	<u>69</u>

16 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 2008 the amount thus guaranteed by the company was £19,078,902 (2007 - £5,863,000).

17 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 IT electronics group of companies.

18 Share capital

Authorised share capital:

	2008 £000	2007 £000
2,852,500 Ordinary shares of £0.25 each	<u>713</u>	<u>713</u>

18 Share capital (continued)

Allotted, called up and fully paid:

	2008		2007	
	No	£000	No	£000
Ordinary shares of £0.25 each	<u>2,852,500</u>	<u>713</u>	<u>2,852,500</u>	<u>713</u>

19 Reserves

	Profit and loss account £000
At 1 January 2008	707
Loss for the year	<u>(1,263)</u>
At 31 December 2008	<u>(556)</u>

20 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
(Loss)/Profit for the financial year	<u>(1,263)</u>	1,531
Opening shareholders' funds/(deficit)	1,420	<u>(111)</u>
Closing shareholders' funds	<u>157</u>	<u>1,420</u>

21 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £20,000 (2007 - £57,000).

22 Pension commitments

The company participates in a group defined benefit pension scheme, the TT electronics defined benefit 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 and group.

The defined benefit scheme participated in by the company is a multi-employer 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 FRS 17 to assess the liabilities of the scheme at 31 December 2008.

The total contributions charged by the company in respect of the year ended 31 December 2008 were £170,869 (2007 - £192,000). The difference between the accumulated charge and the payments made to the scheme is dealt with in debtors and creditors as appropriate.

The most recent valuation of the TT electronics defined benefit scheme has been updated by an independent qualified actuary, taking account of the requirements of FRS 17 to assess the liabilities of the scheme at 31 December 2008. The market value of the scheme assets at the year end was £275,280,000 and the present value of the scheme liabilities was £290,516,000.

23 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.