

AB ELECTRONIC LIMITED

COMPANY NUMBER 542914

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1999



AB ELECTRONIC LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

Results and dividends

The loss for the year after taxation was £ 133,000 (1998: profit of £ 96,000).

Dividends amounting to £ 48,000 (1998: £ Nil) representing 1.7p (1998: 0p) per share have been declared and paid in the year leaving a retained loss of £ 181,000 (1998: profit of £ 96,000) to be transferred to reserves.

Activities

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

Review of the business

The results for the year are shown in the profit and loss account on page 7.

Future developments

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

Directors

The directors of the company, all of whom served throughout the year except where stated, were:

B L Bolton-Knight	resigned 12 February 1999
F H Dietrich	
M A Ennever	
P L Joyce	
N A Rodgers	
D L Thomas	
H J Zegula	

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

AB ELECTRONIC LIMITED

REPORT OF THE DIRECTORS

The beneficial interests of each director in the shares and share options of the ultimate parent undertaking are noted below.

	25p ordinary shares			
	31 December 1999		1 January 1999 (or date of appointment)	
	Shares	Options	Shares	Options
F H Dietrich	-	10,704	-	6,141
M A Ennever	5,816	8,777	5,816	5,820
P L Joyce	2,716	13,374	2,716	14,611
N A Rodgers	-	70,471	-	46,809
D L Thomas	764	4,634	764	1,677
H J Zegula	-	26,751	-	20,836
	<u>9,296</u>	<u>134,711</u>	<u>9,296</u>	<u>95,894</u>

Share options are exercisable on or after

	Number of Options
18 November 1996 at 219.3 pence	11,812
9 November 1997 at 232.0 pence	11,175
15 April 1999 at 319.0 pence	8,300
6 June 1999 at 353.0 pence	15,750
22 April 2000 at 359.0 pence	19,500
24 March 2001 at 300.0 pence	23,486
31 March 2002 at 177.5 pence	44,688
	<u>134,711</u>

Statement of directors' responsibilities for preparing the financial statements

The directors are required by UK company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements for the year ended 31 December 1999. The directors also confirm that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and that the financial statements have been prepared on the going concern basis.

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps to prevent and detect fraud and other irregularities.

AB ELECTRONIC LIMITED

REPORT OF THE DIRECTORS

Year 2000 compliance

The company reviewed its computer systems for the impact of the Year 2000 date change, prepared an action plan to address the issue and carried out all necessary measures. All systems have continued to operate properly over the year 2000 date change and through any roll-over procedures that occurred at a latter date.

The issue is complex, and no business can guarantee that there will be no Year 2000 problems. As all businesses are dependent on the compliance of their major customers, suppliers and other trading partners, any impact that has occurred on their systems will affect the company's business to a greater or lesser extent.

Auditors

PricewaterhouseCoopers 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.

BY ORDER OF THE BOARD



M G Leigh
SECRETARY

24 March 2000

Registered office:

Spring Gardens
Romford
Essex
RM7 9LP

REPORT OF THE AUDITORS TO THE MEMBERS OF

AB ELECTRONIC LIMITED

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on pages 5 and 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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.

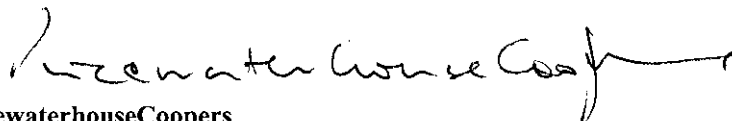
Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
London

24 March 2000

AB ELECTRONIC LIMITED

PRINCIPAL ACCOUNTING POLICIES

ACCOUNTING CONVENTION

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

The company is a wholly owned subsidiary of TT Group PLC and the cash flows of the company are included in the consolidated group cash flow statement of TT Group PLC. Consequently, the company is exempt under the terms of Financial Reporting Standard 1 (Revised 1996) from publishing a cash flow statement.

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

TURNOVER

Turnover is the invoiced value of goods and services supplied excluding VAT.

DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible assets other than freehold land by equal annual instalments over their expected useful lives. The periods generally applicable are:

Freehold buildings	50 years
Leasehold properties	Period of lease
Plant, equipment and vehicles	Between 3 years and 10 years on cost according to type of asset

Freehold land is not depreciated.

FIXED ASSETS

Following the implementation of FRS 15 "Tangible Fixed Assets" the company has adopted a policy of not revaluing fixed assets. The carrying amount of tangible fixed assets previously revalued have been retained at their book amount in accordance with the transitional provisions of FRS 15.

STOCKS

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

Long term contracts are valued at cost, including related overheads, less provision for foreseeable losses and after deduction of applicable payments on account.

AB ELECTRONIC LIMITED

PRINCIPAL ACCOUNTING POLICIES

DEFERRED TAXATION

Deferred taxation is the taxation attributable to timing differences between results computed for taxation purposes and the results as stated in the financial statements. Provision for deferred taxation is made where it is probable that a liability will crystallise at the rates estimated to be effective in the future.

Unprovided deferred taxation is disclosed as a contingent liability. Debit balances arising in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

FOREIGN CURRENCIES

Monetary assets and liabilities in foreign currency are translated at the 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 activities are dealt with through the profit and loss account.

PENSION COSTS

The company operates a defined benefit scheme.

The pension costs charged against profits are based on an actuarial method and actuarial assumptions designed to provide the anticipated pension costs over the service lives of the employees in the scheme, in a way which seeks to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll in the light of current actuarial assumptions. Variations from regular cost are spread over the remaining service lives of current employees in the scheme.

LEASES

Assets acquired under finance leases which confer substantially all the risks and rewards of ownership of an asset, are capitalised and outstanding instalments, net of interest, are shown in creditors.

Payments on operating leases are charged to the profit and loss account on a straight line basis over the lease term.

AB ELECTRONIC LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 1999

	Note	1999 £'000	1998 £'000
Turnover	1	5,749	6,498
Cost of sales		<u>(4,865)</u>	<u>(5,413)</u>
Gross profit		884	1,085
Distribution costs		(573)	(435)
Administrative expenses		<u>(370)</u>	<u>(410)</u>
Operating (loss)/profit		(59)	240
Net interest	2	<u>(142)</u>	<u>(158)</u>
(Loss)/profit on ordinary activities before taxation	1	(201)	82
Taxation	3	<u>68</u>	<u>14</u>
(Loss)/profit on ordinary activities after taxation	14	(133)	96
Dividends			
Interim of 1.7p per share (1998: 0p)		<u>(48)</u>	<u>-</u>
(Loss)/profit retained	13	<u>(181)</u>	<u>96</u>

The above results all arise from continuing activities.

The company has no recognised gains or losses other than those included in the profit above and therefore no separate statement of total recognised gains and losses has been presented.

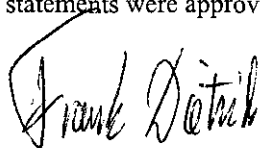
AB ELECTRONIC LIMITED

BALANCE SHEET AT 31 DECEMBER 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	5	2,227	2,550
Current assets			
Stocks	6	1,538	1,288
Debtors	7	1,473	1,449
Cash at bank and in hand		351	285
		<u>3,362</u>	<u>3,022</u>
Creditors: amounts falling due within one year	8	<u>(3,233)</u>	<u>(2,986)</u>
Net current assets		<u>129</u>	<u>36</u>
Total assets less current liabilities		2,356	2,586
Creditors: amounts falling due after more than one year	9	(1,065)	(1,065)
Provisions for liabilities and charges	10	<u>(60)</u>	<u>(109)</u>
		<u>1,231</u>	<u>1,412</u>
Capital and reserves			
Called up share capital	12	713	713
Profit and loss account	13	518	699
Shareholders' funds	14	<u>1,231</u>	<u>1,412</u>

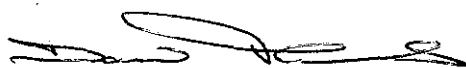
The financial statements were approved by the Board of Directors on 24 March 2000.

F H Dietrich



Directors

D L Thomas



AB ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

1 TURNOVER AND PROFIT/LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover is derived from the design and manufacture of precision potentiometers and proximity switches as analysed below:

	1999 £'000	1998 £'000
By destination:		
United Kingdom	2,143	2,476
Rest of Europe	2,293	2,236
North America	1,273	1,786
Rest of the world	40	-
	<u>5,749</u>	<u>6,498</u>

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

Operating profit is stated after:

	1999 £'000	1998 £'000
Fees to auditors		
- audit services	11	11
Depreciation and amortisation		
- tangible fixed assets, owned	579	576
Operating lease rentals		
- other	-	9
	<u> </u>	<u> </u>

2 NET INTEREST

	1999 £'000	1998 £'000
Interest payable:		
On bank loans and overdrafts	<u>142</u>	<u>158</u>

AB ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

3 TAXATION

	1999 £'000	1998 £'000
UK corporation tax charge/(credit) at 30.25% (1998: 31%)	(34)	32
Deferred taxation	(49)	(33)
Adjustments in respect of prior years - corporation tax	15	(13)
	<u>(68)</u>	<u>(14)</u>

4 DIRECTORS AND EMPLOYEES

The aggregate emoluments, including directors, for the year were:

	1999 £'000	1998 £'000
Wages and salaries	2,256	2,577
Social security costs	168	204
Other pension costs	108	112
	<u>2,532</u>	<u>2,893</u>

The average number of employees of the company, including directors, during the year was:

	1999 Number	1998 Number
Production	144	165
Sales and distribution	9	10
Administration	6	7
	<u>159</u>	<u>182</u>

Remuneration in respect of directors was:

	£'000	£'000
Emoluments	<u>196</u>	<u>231</u>

During the year 4 directors (1998: 5 directors) participated in defined benefit schemes.

During the year no director, including the highest paid director (1998: 1 director not including the highest paid director) exercised share options.

AB ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

The remuneration of the highest paid director was:

	1999 £'000	1998 £'000
Emoluments, gains on share options exercised, and long-term incentive schemes	77	58
Defined benefit pension scheme:		
Accrued pension at end of year	<u>-</u>	<u>2</u>

5 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
<i>Cost/or valuation</i>			
At 1 January 1999	800	5,566	6,366
Additions	-	256	256
Disposals	-	(12)	(12)
At 31 December 1999	<u>800</u>	<u>5,810</u>	<u>6,610</u>
<i>Depreciation</i>			
At 1 January 1999	96	3,720	3,816
Charge for the year	12	567	579
Eliminated on disposals	-	(12)	(12)
At 31 December 1999	<u>108</u>	<u>4,275</u>	<u>4,383</u>
Net book amount at 31 December 1999	<u>692</u>	<u>1,535</u>	<u>2,227</u>
Net book amount at 31 December 1998	<u>704</u>	<u>1,846</u>	<u>2,550</u>

The net book amount of freehold land and buildings included £ 200,000 (1998: £ 200,000) in respect of land.

AB ELECTRONIC LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1999

6 STOCKS

	1999 £'000	1998 £'000
Raw materials and consumables	863	568
Work in progress	311	242
Finished goods	364	478
	<u>1,538</u>	<u>1,288</u>

7 DEBTORS

	1999 £'000	1998 £'000
Amounts falling due within one year:		
Trade debtors	1,107	1,123
Amounts owed by group undertakings	215	257
Corporation tax	37	-
VAT recoverable	30	-
Prepayments	84	69
	<u>1,473</u>	<u>1,449</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Bank loans and overdrafts	2,545	2,455
Trade creditors	558	283
Amounts owed to group undertakings	39	117
Corporation tax	-	18
Taxation and social security	60	85
Accruals and deferred income	31	28
	<u>3,233</u>	<u>2,986</u>

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1999 £'000	1998 £'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.

AB ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

10 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £'000
At 1 January 1999	109
Profit and loss account	(49)
At 31 December 1999	<u>60</u>

11 DEFERRED TAXATION

Deferred taxation is analysed as follows:

	Amount provided		Amount unprovided	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Accelerated capital allowances	62	111	64	63
Other short term timing differences	(2)	(2)	-	-
	<u>60</u>	<u>109</u>	<u>64</u>	<u>63</u>

The amount unprovided represents a contingent liability at 31 December 1999.

12 SHARE CAPITAL

	1999 £'000	1998 £'000
Authorised 2,852,500 ordinary shares of 25p each	<u>713</u>	<u>713</u>
Issued and fully paid 2,852,500 ordinary shares of 25p each	<u>713</u>	<u>713</u>

13 RESERVES

	Profit and loss account £'000
At 1 January 1999	699
Loss for the year	(181)
At 31 December 1999	<u>518</u>

AB ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £'000	1998 £'000
(Loss)/profit for the year	(133)	96
Dividends	(48)	
Net movement in shareholders' funds	<u>(181)</u>	<u>96</u>
Shareholders' funds at 1 January 1999	<u>1,412</u>	1,316
Shareholders' funds at 31 December 1999	<u><u>1,231</u></u>	<u><u>1,412</u></u>

15 CAPITAL COMMITMENTS

	1999 £'000	1998 £'000
Contracted for but not provided	<u>128</u>	<u>303</u>

16 LEASING COMMITMENTS

At 31 December 1999 commitments due within one year in respect of operating leases were:

	1999 Land and buildings £'000	1999 Other £'000	1998 Land and buildings £'000	1998 Other £'000
Operating lease payments due to terminate:				
Within one year	-	5	-	1
Between one and five years	-		-	8
In more than five years	-	25	-	
	<u>-</u>	<u>30</u>	<u>-</u>	<u>9</u>

17 CONTINGENT LIABILITIES

Apart from deferred taxation shown in note 11, the company has no 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 1999 the amount thus guaranteed by the company was £Nil (1998: £ 410,000).

AB ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

18 PENSION SCHEME

The company participates in a group 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 a qualified actuary and are taken to the profit and loss account over the average working lives of the members. The last actuarial valuation of the scheme was in April 1997 at which time, using the projected unit cost method, the assets of the scheme showed an actuarial valuation of £42.71m representing 116% of the benefits accrued to the members. The principal assumptions used by the actuary were that the investment returns would be 2% higher than the growth in annual salaries and that pensions in the course of payment could increase by up to 4.25% per annum.

The total contributions charged by the company in respect of the year ended 31 December 1999 were £ 108,000 (1998: £ 112,000). The difference between the accumulated charge and payments made to the scheme is dealt with in debtors and creditors as appropriate.

19 TRANSACTIONS WITH RELATED PARTIES

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 group of companies.

20 CONTROLLING RELATED PARTIES

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

The company's ultimate controlling related party and ultimate parent undertaking is TT Group PLC which is registered in England and Wales.

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