

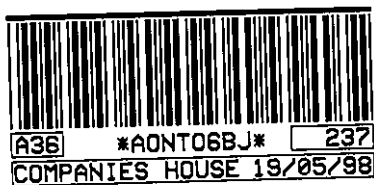
**AB ELECTRONIC LIMITED**  
(formerly Colvern Limited)

COMPANY NUMBER 542914

DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1997



**AB ELECTRONIC LIMITED  
(formerly Colvern Limited)**

**REPORT OF THE DIRECTORS**

---

The directors present their annual report and the audited financial statements for the year ended 31 December 1997. The company name was changed from Colvern Limited to AB Electronic Limited on 14 January 1997.

**Results and dividends**

The loss for the year after taxation was £261,000.(1996: £203,000 ).

The directors do not recommend the payment of a dividend and the loss has therefore been 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:

D G Swindell            (resigned 31 July 1997)  
M A Ennever  
P L Joyce  
B L Bolton- Knight  
F H Dietrich  
N A Rodgers  
H J Zegula  
D L Thomas            (appointed 11 August 1997)

D L Thomas having been appointed during the year retires in accordance with the Articles of Association and being eligible offers himself for re-appointment.

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

**AB ELECTRONIC LIMITED**  
**(formerly Colvern Limited)**

REPORT OF THE DIRECTORS (CONTINUED)

**Directors (continued)**

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 1997		1 January 1997 (or date of appointment)	
	Shares	Options	Shares	Options
M A Ennever	2,816	12,934	2,816	11,541
P L Joyce	2,716	12,934	2,716	11,541
B L Bolton-Knight	-	6,378	-	4,985
H J Zegula	-	17,481	-	14,695
F H Dietrich	-	2,786	-	-
N A Rodgers	-	33,387	3,489	22,245
D L Thomas	-	-	-	-

	Options	Exercisable on or after	Price p
	8,388	25.11.95	125.493
	14,174	18.11.96	219.333
	15,645	9.11.97	232.000
	11,050	15.4.99	319.000
	15,750	6.6.99	353.000
	20,893	22.4.00	359.000

**AB ELECTRONIC LIMITED**  
**(formerly Colvern Limited)**

REPORT OF THE DIRECTORS (CONTINUED)

---

**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 1997. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

**Auditors**

Coopers & Lybrand 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

20 March 1998

Registered office:

Spring Gardens  
Romford  
Essex  
RM7 0LP

**REPORT OF THE AUDITORS TO THE MEMBERS OF**

**AB ELECTRONIC LIMITED  
(formerly Colvern Limited)**

We have audited the financial statements on pages 5 to 17 which have been prepared under the accounting policies set out on pages 5 and 6.

**Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

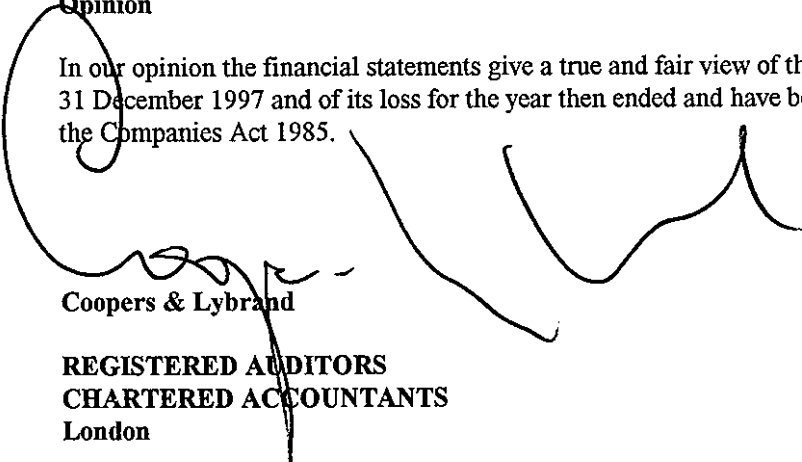
**Basis of opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

**REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
London**

20 March 1998

**AB ELECTRONIC LIMITED  
(formerly Colvern Limited)**

**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.

**CONSOLIDATED FINANCIAL STATEMENTS**

The company has taken advantage of the exemption permitted by Section 228 of the Companies Act 1985 and not produced consolidated financial statements as it is itself a wholly owned subsidiary.

**TURNOVER**

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

**DEPRECIATION**

Depreciation is calculated to write down the cost or valuation 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	2%
Plant, machinery and vehicles	10% to 33 1/3 %

Freehold land is not depreciated.

**STOCKS**

Stocks and work in progress are valued 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.

**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.

**AB ELECTRONIC LIMITED  
(formerly Colvern Limited)**

**ACCOUNTING POLICIES (CONTINUED)**

---

**DEFERRED TAXATION (CONTINUED)**

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.

**LEASES**

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

**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.

**AB ELECTRONIC LIMITED**  
**(formerly Colvern Limited)**

**PROFIT AND LOSS ACCOUNT**  
For the year ended 31 December 1997

	Note	1997		1996	
		£'000	£'000	£'000	£'000
Turnover	1		4,998		4,532
Cost of sales			<u>(4,554)</u>		<u>(4,042)</u>
Gross profit			444		490
Distribution costs		318		390	
Administrative expenses		<u>427</u>		<u>299</u>	
			(745)		(689)
Operating loss	2		<u>(301)</u>		<u>(199)</u>
Net interest	3		<u>(91)</u>		<u>(53)</u>
<b>Loss on ordinary activities before taxation</b>			<b>(392)</b>		<b>(252)</b>
Taxation	4		<u>131</u>		<u>49</u>
<b>Loss retained</b>	13		<u><u>(261)</u></u>		<u><u>(203)</u></u>

The above results all arise from continuing activities.

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



**AB ELECTRONIC LIMITED**  
**(formerly Colvern Limited)**

BALANCE SHEET AT 31 DECEMBER 1997

	Note	1997 £'000	1996 £'000
<b>Fixed assets</b>			
Tangible assets	6	<u>2,576</u>	<u>2,793</u>
		<u>2,576</u>	<u>2,793</u>
<b>Current assets</b>			
Stocks	7	948	912
Debtors	8	1,363	1,222
Cash at bank and in hand		<u>275</u>	<u>17</u>
		<u>2,586</u>	<u>2,151</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(2,704)</u>	<u>(2,030)</u>
<b>Net current (liabilities)\assets</b>		<u>(118)</u>	<u>121</u>
<b>Total assets less current liabilities</b>		<b>2,458</b>	<b>2,914</b>
<b>Creditors: amounts falling due after more than one year</b>	10	<b>(1,000)</b>	<b>(1,125)</b>
<b>Provisions for liabilities and charges</b>	11	<u>(142)</u>	<u>(212)</u>
		<u><b>1,316</b></u>	<u><b>1,577</b></u>
<b>Capital and reserves</b>			
Called up share capital	12	713	713
Profit and loss account	13	<u>603</u>	<u>864</u>
<b>Equity Shareholders' funds</b>	14	<u><b>1,316</b></u>	<u><b>1,577</b></u>

The financial statements were approved by the Board of Directors on 20 March 1998.

F H Dietrich



**Directors**

D L Thomas



**AB ELECTRONIC LIMITED**  
**(formerly Colvern Limited)**

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 1997

---

**1 TURNOVER AND OPERATING LOSS**

Turnover which is derived from the principal activity is analysed below:

	1997 £'000	1996 £'000
By destination:		
United Kingdom	2,547	2,258
Rest of Europe	2,215	2,124
North America	236	130
Rest of the World	-	20
	<u>4,998</u>	<u>4,532</u>

The whole of the turnover and operating loss originated in the United Kingdom.

**2 OPERATING LOSS**

Operating loss is stated after charging/(crediting):

	1997 £'000	1996 £'000
Depreciation		
-tangible fixed assets, owned	661	367
Fees to auditors		
- audit	10	9
- non-audit	-	1
Operating lease rentals		
- other	9	9
	<u>          </u>	<u>          </u>

**AB ELECTRONIC LIMITED**  
**(formerly Colvern Limited)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 December 1997

---

**3 NET INTEREST**

	1997 £'000	1996 £'000
Interest payable:		
On bank loans and overdrafts	91	53
	<u>91</u>	<u>53</u>

**4 TAXATION**

	1997 £'000	1996 £'000
UK corporation tax credit at 31.5 % (1996: 33 %)	(60)	(100)
Deferred taxation	(71)	51
	<u>(131)</u>	<u>(49)</u>

**AB ELECTRONIC LIMITED**  
**(formerly Colvern Limited)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 For the year ended 31 December 1997

**5 DIRECTORS AND EMPLOYEES**

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

	1997 Number	1996 Number
Production	133	120
Sales and distribution	8	6
Administration	8	6
	<u>149</u>	<u>132</u>

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

	£'000	£'000
Wages and salaries	1,975	1,651
Social security costs	172	130
Other pension costs	98	85
	<u>2,245</u>	<u>1,866</u>

Remuneration in respect of directors was:

	£'000	£'000
Emoluments	195	140
Pension contributions to defined benefit pension schemes	2	13
	<u>197</u>	<u>153</u>

During the year 4 directors (1996: 4 directors) participated in defined benefit schemes.

During the year 6 directors, including the highest paid director (1996: 4 directors including the highest paid director) exercised share options.

**AB ELECTRONIC LIMITED**  
**(formerly Colvern Limited)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 For the year ended 31 December 1997

**6 TANGIBLE FIXED ASSETS**

	Total £'000	Freehold land and buildings £'000	Plant, equipment and vehicles £'000
<b>Cost</b>			
At 1 January 1997	5,327	800	4,527
Additions	479	-	479
Disposals	(86)	-	(86)
Transfers from group undertakings	119	-	119
<b>At 31 December 1997</b>	<b>5,839</b>	<b>800</b>	<b>5,039</b>
<b>Depreciation</b>			
At 1 January 1997	2,534	72	2,462
Charge for the year	661	12	649
Disposals	(51)	-	(51)
Transfers from group undertakings	119	-	119
<b>At 31 December 1997</b>	<b>3,263</b>	<b>84</b>	<b>3,179</b>
<b>Net book amount at 31 December 1997</b>	<b>2,576</b>	<b>716</b>	<b>1,860</b>
Net book amount at 31 December 1996	2,793	728	2,065

The net book amount of freehold land and buildings included £200,000 (1996: £200,000) in respect of land.

**AB ELECTRONIC LIMITED**  
**(formerly Colvern Limited)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 For the year ended 31 December 1997

**7 STOCKS**

	1997 £'000	1996 £'000
Raw materials and consumables	284	432
Work in progress	455	170
Finished goods	209	310
	<u>948</u>	<u>912</u>

**8 DEBTORS**

	1997 £'000	1996 £'000
Amounts falling due within one year:		
Trade debtors	1,076	1,006
Amounts owed by group undertakings	149	75
Prepayments	78	41
Corporation tax recoverable	60	100
	<u>1,363</u>	<u>1,222</u>

**9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1997 £'000	1996 £'000
Bank loans and overdrafts	1,735	823
Trade creditors	595	489
Amounts owed to group undertakings	244	591
Taxation and social security	38	74
Accruals and deferred income	92	53
	<u>2,704</u>	<u>2,030</u>

**AB ELECTRONIC LIMITED**  
**(formerly Colvern Limited)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 December 1997

**10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1997 £'000	1996 £'000
Amounts owed to group undertakings	1,000	1,125
	<u>1,000</u>	<u>1,125</u>

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

**11 PROVISIONS FOR LIABILITIES AND CHARGES**

	1997 £'000	1996 £'000
Deferred taxation		
At 1 January 1997	212	161
Profit and loss account	(70)	51
At 31 December 1997	<u>142</u>	<u>212</u>

	Amount provided		Amount unprovided	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Accelerated capital allowances	147	216	210	282
Other short term timing differences	<u>(5)</u>	<u>(4)</u>	<u>(5)</u>	<u>(4)</u>
	<u>142</u>	<u>212</u>	<u>205</u>	<u>278</u>

The amount unprovided represents a contingent liability at 31 December 1997.

**12 SHARE CAPITAL**

	Authorised		Issued and fully paid	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
2,852,500 ordinary shares of 25p each	<u>713</u>	<u>713</u>	<u>713</u>	<u>713</u>

**AB ELECTRONIC LIMITED**  
**(formerly Colvern Limited)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 For the year ended 31 December 1997

**13 RESERVES**

	<b>Profit and loss account £'000</b>
At 1 January 1997	864
Loss for the year	(261)
Movement on disposal of revalued assets	-
<b>At 31 December 1997</b>	<b><u>603</u></b>

**14 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS**

	<b>1997 £'000</b>	<b>1996 £'000</b>
Loss for the year	(261)	(203)
Net movement in equity shareholders' funds	<u>(261)</u>	<u>(203)</u>
Equity Shareholders' funds at 1 January 1997	<u>1,577</u>	<u>1,780</u>
<b>Equity Shareholders' funds at 31 December 1997</b>	<b><u>1,316</u></b>	<b><u>1,577</u></b>

**15 LEASING COMMITMENTS**

At 31 December 1997 commitments due within one year in respect of operating leases were:

	<b>1997 Other £'000</b>	<b>1996 Other £'000</b>
Operating lease payments due to terminate:		
Within one year	1	1
Between one and five years	8	7
In more than five years	-	-
	<u>9</u>	<u>8</u>



**AB ELECTRONIC LIMITED**  
**(formerly Colvern Limited)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 December 1997

---

**16 CONTINGENT LIABILITIES**

Apart from deferred taxation shown in note 11, the company has no other contingent liabilities.

There was a cross guarantee between certain companies in the group on all bank overdrafts with the Midland Bank plc. At 31 December 1997 the amount thus guaranteed by the company was £Nil. (1996: £Nil.)

**17 PENSION SCHEME**

The company participates in the Crystalate Pension Schemes. This is a defined benefit scheme which provide benefits to members based on their final remuneration. The scheme is set up under trust and its assets are therefore independent of those of the company and the group.

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 5% per annum.

The total contributions charged by the company in respect of the year ended 31 December 1997 were £98,390 (1996: £84,795). The difference between the accumulated charge and payments made to the scheme is dealt with in debtors and creditors as appropriate.

**18 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.

On 4 April 1997, the company purchased a Linearity Trimm machine from F H Dietrich for cash consideration of £28,000.

On 1 September 1997, the company sold a motor vehicle to D G Swindell for cash consideration of £3,000.

The above transactions took place at fair value.

**AB ELECTRONIC LIMITED**  
**(formerly Colvern Limited)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 December 1997

---

**19 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.