

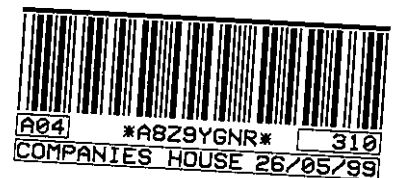
AB ELECTRONIC LIMITED

COMPANY NUMBER 542914

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1998



AB ELECTRONIC LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

Results and dividends

The profit for the year after taxation was £96,000 (1997: loss of £261,000).

The directors do not recommend the payment of a dividend and the profit 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 8.

Future developments

The company is trading profitably and the directors expect to maintain present activity levels.

Directors

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

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

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

AB ELECTRONIC LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Year 2000 Compliance

The company has reviewed its computer systems for the impact of the Year 2000 date change. An impact analysis has been prepared to identify the major risks, and action plans have been developed to address these in advance of critical dates.

The company has requested from major customers, suppliers and other trading partners with whom information is exchanged electronically, confirmation that their relevant systems are Year 2000 compliant.

The issue is complex, and no business can guarantee that there will be no Year 2000 problems. However, the Board believes that its plans and the resources allocated are appropriate and adequate to address the issue.

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

19 March 1999

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 6 to 17 which have been prepared under the accounting policies set out on pages 6 and 7.

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.

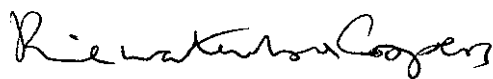
Basis of opinion

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
London

19 March 1999

AB ELECTRONIC 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	50 years
Plant, equipment and vehicles	Between 3 years and 10 years on cost or valuation according to type of asset

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

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

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.

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**PROFIT AND LOSS ACCOUNT**

For the year ended 31 DECEMBER 1998

	Note	1998 £'000	1997 £'000
Turnover	1	6,498	4,998
Cost of sales		<u>(5,413)</u>	<u>(4,554)</u>
Gross profit		1,085	444
Distribution costs		(435)	(318)
Administrative expenses		<u>(410)</u>	<u>(745)</u>
Operating profit	2	240	(301)
Net interest	3	<u>(158)</u>	<u>(91)</u>
Profit/(loss) on ordinary activities before taxation		82	(392)
Taxation	4	<u>14</u>	<u>131</u>
Profit/(loss) retained	13	<u><u>96</u></u>	<u><u>(261)</u></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 1998

	Note	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	6	2,550	2,576
		<u>2,550</u>	<u>2,576</u>
Current assets			
Stocks	7	1,288	948
Debtors	8	1,449	1,363
Cash at bank and in hand		285	275
		<u>3,022</u>	<u>2,586</u>
Creditors: amounts falling due within one year	9	<u>(2,986)</u>	<u>(2,704)</u>
Net current assets/(liabilities)		<u>36</u>	<u>(118)</u>
Total assets less current liabilities		2,586	2,458
Creditors: amounts falling due after more than one year	10	(1,065)	(1,000)
Provisions for liabilities and charges	11	<u>(109)</u>	<u>(142)</u>
		<u>1,412</u>	<u>1,316</u>
Capital and reserves			
Called up share capital	12	713	713
Profit and loss account	13	699	603
Shareholders' funds	14	<u>1,412</u>	<u>1,316</u>

The financial statements were approved by the Board of Directors on 19 March 1999.

F H Dietrich



Directors

D L Thomas



AB ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1998

1 TURNOVER AND PROFIT/LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover is derived from the principal activity is analysed below:

	1998 £'000	1997 £'000
By destination:		
United Kingdom	2,476	2,547
Rest of Europe	2,236	2,215
North America	1,786	236
	<u>6,498</u>	<u>4,998</u>

The whole of the turnover originated in the United Kingdom.

2 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	1998 £'000	1997 £'000
Depreciation and amortisation - tangible fixed assets, owned	576	661
Fees to auditors - audit services	11	10
Operating lease rentals - other	9	9
	<u> </u>	<u> </u>

AB ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 1998

3 NET INTEREST

	1998 £'000	1997 £'000
Interest payable: On bank loans and overdrafts	158	91
	<u>158</u>	<u>91</u>

4 TAXATION

	1998 £'000	1997 £'000
UK corporation tax charge/(credit) at 31.0% (1997: 31.5%)	32	(60)
Deferred taxation	(33)	(71)
Adjustments to current taxation in respect of prior years	(13)	0
	<u>(14)</u>	<u>(131)</u>

AB ELECTRONIC LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 1998

5 DIRECTORS AND EMPLOYEES

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

	1998 Number	1997 Number
Production	165	133
Sales and distribution	10	8
Administration	7	8
	<u>182</u>	<u>149</u>

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

	£'000	£'000
Wages and salaries	2,577	1,975
Social security costs	204	172
Other pension costs	112	98
	<u>2,893</u>	<u>2,245</u>

Remuneration in respect of directors was:

	£'000	£'000
Emoluments	231	195
	<u>231</u>	<u>195</u>

During the year 5 directors (1997: 4 directors) participated in defined benefit schemes.

During the year 1 director, not including the highest paid director (1997: 6 directors including the highest paid director) exercised share options.

The remuneration of the highest paid director was:

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

AB ELECTRONIC LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 1998

6 TANGIBLE FIXED ASSETS

	Total £'000	Freehold land and buildings £'000	Plant, equipment and vehicles £'000
Cost			
At 1 January 1998	5,839	800	5,039
Additions	550		550
Disposals	(23)		(23)
At 31 December 1998	<u>6,366</u>	<u>800</u>	<u>5,566</u>
Depreciation			
At 1 January 1998	(3,263)	(84)	(3,179)
Charge for the year	(576)	(12)	(564)
Disposals	23		23
At 31 December 1998	<u>(3,816)</u>	<u>(96)</u>	<u>(3,720)</u>
Net book amount at 31 December 1998	<u><u>2,550</u></u>	<u><u>704</u></u>	<u><u>1,846</u></u>
Net book amount at 31 December 1997	<u><u>2,576</u></u>	<u><u>716</u></u>	<u><u>1,860</u></u>

The net book amount of freehold land and buildings included £ 200,000 (1997: £ 200,000) in respect of land.

AB ELECTRONIC LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 1998

7 STOCKS

	1998 £'000	1997 £'000
Raw materials and consumables	568	284
Work in progress	242	455
Finished goods	478	209
	<u>1,288</u>	<u>948</u>

8 DEBTORS

	1998 £'000	1997 £'000
Amounts falling due within one year:		
Trade debtors	1,123	1,076
Amounts owed by group undertakings	257	149
Other debtors	-	60
Prepayments	69	78
	<u>1,449</u>	<u>1,363</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £'000	1997 £'000
Bank loans and overdrafts	2,455	1,735
Trade creditors	283	595
Amounts owed to group undertakings	117	244
Taxation and social security	103	38
Accruals and deferred income	28	92
	<u>2,986</u>	<u>2,704</u>

AB ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 1998

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998 £'000	1997 £'000
Amounts owed to group undertakings	<u>1,065</u>	<u>1,000</u>
	<u><u>1,065</u></u>	<u><u>1,000</u></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

	1998 £'000	1997 £'000
Deferred taxation		
At 1 January	142	212
Profit and loss account	<u>(33)</u>	<u>(70)</u>
At 31 December	<u><u>109</u></u>	<u><u>142</u></u>

Deferred taxation is analysed as follows:

	Amount provided		Amount unprovided	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Accelerated capital allowances	111	147	63	210
Other short term timing differences	(2)	(5)	-	(5)
	<u>109</u>	<u>142</u>	<u>63</u>	<u>205</u>

The amount unprovided represents a contingent liability at 31 December 1998.

12 SHARE CAPITAL

	Authorised		Issued and fully paid	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
2,852,500 ordinary shares of 25p each	<u>713</u>	<u>713</u>	<u>713</u>	<u>713</u>

AB ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 1998

13 RESERVES

	Profit and loss account £'000
At 1 January 1998	603
Profit for the year	<u>96</u>
At 31 December 1998	<u><u>699</u></u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £'000	1997 £'000
Profit/(loss) for the year	96	(261)
Net movement in shareholders' funds	<u>96</u>	<u>(261)</u>
Shareholders' funds at 1 January 1998	<u>1,316</u>	<u>1,577</u>
Shareholders' funds at 31 December 1998	<u><u>1,412</u></u>	<u><u>1,316</u></u>

15 CAPITAL COMMITMENTS

	1998 £'000	1997 £'000
Contracted for but not provided	<u>303</u>	<u>216</u>

16 LEASING COMMITMENTS

At 31 December 1998 commitments due within one year in respect of operating leases were:

	1998 Other £'000	1997 Other £'000
Operating lease payments due to terminate:		
Within one year	1	1
Between one and five years	8	8
	<u>9</u>	<u>9</u>

AB ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 1998

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 Midland Bank plc. At 31 December 1998 the amount thus guaranteed by the company was £ 410,000 (1997: £ NIL).

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 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 4.25% per annum.

The total contributions charged by the company in respect of the year ended 31 December 1998 were £ 112,000 (1997: £ 98,000). 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.

On 28 July 1998, the company purchased an item of potentiometer test equipment from F H Dietrich for cash consideration of £7,000.

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.