AB Electronic Limited

Financial statements

For the year ended 31 December 2005

Company No. 542914

Report of the directors (continued)

The directors present their report and the audited financial statements of the company for the year ended 31 December 2005.

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 £729,000 (2004 - £435,000).

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 (2004 - £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 subsequently were as follows:

M A Ennever	
P L Joyce	
J H Gray	(Appointed 1 January 2005)
S Munday	(Appointed 25 January 2006)
S W Weddle	(Resigned 31 December 2005)
G M Entwistle	(Resigned 31 December 2005)
N A Brice	(Appointed 1 January 2006)

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			
		31 December 2005		1 January 2005 (or date of appointment)
	Shares	**Options**	Shares	Options
M A Ennever	**5,816**	**35,932**	5,816	32,891
P L Joyce	**2,716**	**35,932**	2,716	32,891
J H Gray	**–**	**4,671**	–	–
	8,532	**76,535**	8,532	65,782

Report of the directors (continued)

The movement seen in the share options during the year relates to options granted.

Share options are exercisable on or after:

	Number of options
15 April 1999 at 319.000p	**5,500**
22 April 2000 at 359.000p	**2,786**
24 March 2001 at 300.000p	**3,354**
31 March 2002 at 177.500p	**5,914**
28 March 2003 at 91.500p	**11,474**
18 April 2004 at 163.000p	**6,750**
3 April 2005 at 165.000p	**6,910**
26 March 2006 at 80.000p	**14,750**
25 May 2007 at 145.000p	**8,344**
7 April 2008 at 205.500p	**10,753**
	76,535

No director exercised share options during the year.

Financial risk management

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 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 previous periods.

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.

Report of the directors (continued)

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 and of the profit or loss of the company for that year. 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 that disclose with reasonable accuracy at any time the financial position of the company and to 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.

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
27 March 2006

Independent auditor's report to the shareholders of AB Electronic Limited

We have audited the financial statements of AB Electronic Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 other transactions is not disclosed.

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

Basis of audit 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 judgments 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.

Independent auditor's report to the shareholders of AB Electronic Limited (continued)

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 2005 and of its loss for the year then ended; and

have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
The Atrium
1 Harefield Road
Uxbridge
UB8 1EX
27 March 2006

Principal accounting policies

Accounting convention

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

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

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

FRS 17 'Retirement benefits'

The company has adopted FRS 17 'Retirement benefits' during the year. This represents a change in accounting policy, however this has had no material effect on the company, hence comparative figures have not been restated.

The presentation requirements of FRS 25 'Financial Instruments: Disclosure and Presentation'

The above accounting standard has become mandatory for companies for accounting periods beginning on or after 1 January 2005. Its adoption has had no material effect on the company, hence comparative figures have not been restated.

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 (revised 1996) "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.

Principal accounting policies (continued)

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.

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.

Derivative financial instruments held by the company relate to forward exchange contracts. These are not recognised in the balance sheet and gains and losses are recognised when the contract matures. The value of these contracts at the year end is disclosed in note 14.

Principal accounting policies (continued)

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 FRS17 to not assess the liabilities of the scheme at 31 December 2005. Accordingly, the pension costs in respect of the defined benefit scheme represent the amount of contributions payable in respect of the accounting period.

Profit and loss account

	Note	2005 £000	2004 £000
Turnover	1	**11,035**	7,249
Cost of sales		**(10,163)**	(6,638)
Gross profit		**872**	611
Other operating charges	2	**(1,856)**	(1,170)
Operating loss	3	**(984)**	(559)
Interest payable and similar charges	6	**(111)**	(58)
Loss on ordinary activities before taxation		**(1,095)**	(617)
Tax on loss on ordinary activities	7	**366**	182
Loss for the financial year	18	**(729)**	(435)

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

There is no material difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

The company has no recognised gains or losses other than the loss for the year as set out above and therefore no separate statement of recognised gains and losses has been presented.

Balance sheet

	Note	2005 £000	2004 £000
Fixed assets			
Tangible assets	8	**1,680**	1,795
Current assets			
Stocks	9	**1,562**	1,472
Debtors	10	**2,490**	1,957
		4,052	3,429
Creditors: amounts falling due within one year	12	**(4,629)**	(3,392)
Net current (liabilities)/assets		**(577)**	37
Total assets less current liabilities		**1,103**	1,832
Creditors: amounts falling due after more than one year	13	**(1,065)**	(1,065)
		38	767
Capital and reserves			
Called-up equity share capital	17	**713**	713
Profit and loss account	18	**(675)**	54
Total equity shareholders' funds	19	**38**	767

The notes on pages 12 to 19 form part of the financial statements.

These financial statements were approved by the directors on 27 March 2006 and are signed on their behalf by:

P L Joyce

J H Gray

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:

	2005 £000	2004 £000
United Kingdom	**3,517**	1,835
Rest of Europe	**4,304**	3,427
North America	**3,198**	1,952
Rest of the World	**16**	35
	11,035	7,249

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

2 Other operating charges

	2005 £000	2004 £000
Distribution costs	**962**	878
Administrative expenses	**894**	292
	1,856	1,170

3 Operating loss

Operating loss is stated after charging:

	2005 £000	2004 £000
Research and development expenditure written off	**455**	454
Pension costs (notes 4 and 20)	**576**	163
Depreciation of owned fixed assets	**379**	297
Auditor's remuneration:		
Audit fees	**11**	11

Notes to the financial statements (continued)

4 Directors and employees

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

	2005	2004
	No	No
Production	**185**	146
Sales and distribution	**7**	9
Administration	**6**	5
	198	160

The aggregate payroll costs of the above were:

	2005	2004
	£000	£000
Wages and salaries	**3,800**	3,140
Social security costs	**298**	257
Other pension costs	**576**	163
	4,674	3,560

5 Directors

Remuneration in respect of directors was as follows:

	2005	2004
	£000	£000
Emoluments receivable	**199**	182

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

	2005	2004
	No	No
Defined benefit schemes	**2**	2

6 Interest payable and similar charges

	2005	2004
	£000	£000
To group undertakings	**111**	58

Notes to the financial statements (continued)

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2005 £000	2004 £000
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2004 - 30%)	**(331)**	(222)
Adjustment in respect of prior periods	**(29)**	(4)
Total current tax	**(360)**	(226)
Deferred tax:		
Origination and reversal of timing differences	**(6)**	44
Tax on loss on ordinary activities	**(366)**	(182)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	2005 £000	2004 £000
Loss on ordinary activities before taxation	**(1,095)**	(617)
Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2004 - 30%)	**(328)**	(185)
Expenses not deductible for tax purposes	**5**	4
Capital allowances in excess of depreciation	**(9)**	(41)
Short term timing differences	**1**	-
Adjustment in respect of prior periods	**(29)**	(4)
Total current tax (note 7(a))	**(360)**	(226)

Notes to the financial statements (continued)

8 Tangible fixed assets

	Freehold Land & Buildings £000	Plant, Equipment and Vehicles £000	Total £000
Cost			
At 1 January 2005	800	7,797	8,597
Additions	–	264	264
Disposals	–	(510)	(510)
At 31 December 2005	800	7,551	8,351
Depreciation			
At 1 January 2005	168	6,634	6,802
Charge for the year	12	367	379
On disposals	–	(510)	(510)
At 31 December 2005	180	6,491	6,671
Net book value			
At 31 December 2005	**620**	**1,060**	**1,680**
At 31 December 2004	632	1,163	1,795

The net book value amount of freehold land and buildings included £200,000 (2004 - £200,000) in respect of land.

9 Stocks

	2005 £000	2004 £000
Raw materials	**760**	941
Work in progress	**259**	292
Finished goods	**543**	239
	1,562	1,472

Notes to the financial statements (continued)

10 Debtors

	2005	2004
	£000	£000
Trade debtors	**1,830**	1,381
Amounts owed by group undertakings	**258**	108
Corporation tax repayable	**271**	259
Other debtors	**–**	105
Prepayments and accrued income	**92**	71
Deferred taxation (note 11)	**39**	33
	2,490	1,957

The deferred tax asset has been recognised because the directors consider that it is more likely than not that the asset will be recovered through group relief.

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

	2005	2004
	£000	£000
Deferred tax asset	**39**	33

11 Deferred taxation

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

	2005	2004
	£000	£000
Included in debtors (note 10)	**39**	33

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

	2005	2004
	£000	£000
Balance brought forward	**33**	77
Profit and loss account movement arising during the year	**6**	(44)
Balance carried forward	**39**	33

Notes to the financial statements (continued)

11 Deferred taxation (continued)

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

	2005 £000	2004 £000
Excess of taxation allowances over depreciation on fixed assets	**34**	29
Other timing differences	**5**	4
	39	33

12 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Bank loans and overdrafts	**2,228**	1,283
Trade creditors	**972**	764
Amounts owed to group undertakings	**1,251**	1,271
Other taxation and social security	**80**	–
Accruals and deferred income	**98**	74
	4,629	3,392

Bank loans and overdrafts are interest bearing and the interest is paid to other group companies as a result of the group offset arrangements.

13 Creditors: amounts falling due after more than one year

	2005 £000	2004 £000
Amounts owed to group undertakings	**1,065**	1,065

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

14 Derivatives

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

	2005 £000	2004 £000
Forward exchange contracts	**(47)**	6

Notes to the financial statements (continued)

15 Contingent liabilities

At 31 December 2005 the amount thus guaranteed by the company was £nil (2004 - £5,355,000) as the overall group position with HSBC Bank plc was a cash balance.

16 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 £nil (2004 - £9,000) and purchased goods and services valued at £1,615 (2004 - £2,000) 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 (2004 - £nil). The balance at the year end included in trade creditors is £103 (2004 - £nil).

17 Share capital

Authorised share capital:

	2005 £000	2004 £000
2,852,500 Ordinary shares of £0.25 each	**713**	713

Allotted, called up and fully paid:

	2005 No	2005 £000	2004 No	2004 £000
Ordinary shares of £0.25 each	**2,852,500**	**713**	2,852,500	713

18 Reserves

	Profit and loss account £000
At 1 January 2005	**54**
Loss for the year	**(729)**
At 31 December 2005	**(675)**

Notes to the financial statements (continued)

19 Reconciliation of movements in shareholders' funds

	2005 £000	2004 £000
Loss for the financial year	**(729)**	(435)
Opening shareholders' funds	**767**	1,202
Closing shareholders' funds	**38**	767

20 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.

The defined benefit scheme participated in by the company is a multi employer scheme. The company is unable to identify its shares 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 total contributions charged by the company in respect of the year ended 31 December 2005 were £576,000 (2004 - £163,000) and are based on pension costs across the group as a whole. 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 scheme has been updated by an independent qualified actuary, taking account of the requirements of FRS17 to assess the liabilities of the scheme at 31 December 2005. The market value of the scheme assets at the year end was £69,652,000 and the present value of the scheme liabilities was £89,182,000.

21 Capital Commitments

Amounts contracted for but not provided in the financial statements amounted to £21,000 (2004 - £33,000).

22 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, and this is the only company which consolidates the accounts.

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.