

COMPANIES HOUSE

AB ELECTRONIC LIMITED

COMPANY NUMBER 542914

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2002



AB ELECTRONIC LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Results and dividends

The profit for the year after taxation amounted to £109,000 (2001: £63,000).

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 7.

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
P L Joyce
N A Rodgers
H J Zegula (resigned 23 September 2002)
S W Weddle

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 the share options of the ultimate parent undertaking are noted below.

	25p ordinary shares			
	31 December 2002		1 January 2002	
	Shares	Options	Shares	Options
M A Ennever	5,816	21,344	5,816	17,889
P L Joyce	2,716	21,344	2,716	17,889
N A Rodgers	-	161,692	-	134,177
S W Weddle	-	-	-	-
	<u>8,532</u>	<u>204,380</u>	<u>8,532</u>	<u>169,955</u>

Share options are exercisable on or after	Number of options
15 April 1999 at 319.000 pence	5,500
6 June 1999 at 353.000 pence	13,050
22 April 2000 at 359.000 pence	13,928
24 March 2001 at 300.000 pence	16,776
31 March 2002 at 177.500 pence	29,576
28 March 2003 at 91.500 pence	57,375
18 April 2004 at 163.000 pence	33,750
3 April 2005 at 165.000 pence	34,425
	<u>204,380</u>

No director exercised share options during the year.

Statement of directors' responsibilities for preparing the financial statements

The directors are required by UK company law to prepare financial statements for each financial year 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 year.

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 2002. 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 keeping 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

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 11 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

BY ORDER OF THE BOARD



Martin Leigh
SECRETARY

14 March 2003

Registered office:

Spring Gardens
Romford
Essex
RM7 9LP

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
AB ELECTRONIC LIMITED**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members 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 in to 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 transactions is not disclosed.

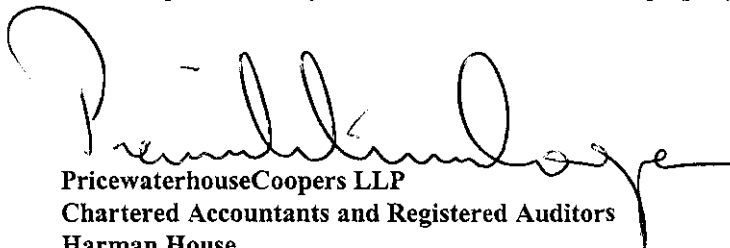
Basis of audit opinion

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Harman House
1 George Street
Uxbridge
UB8 1QQ

14 March 2003

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 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" (Revised 1996) from publishing a cash flow statement.

The principal accounting policies of the company are set out below. The policies have remained unchanged from the previous year except for the adoption of FRS 19 "Deferred Tax". This effect of this is shown in note 11.

TURNOVER

Turnover is the invoice 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.

DEPRECIATION

Depreciation is calculated so as to write off the cost less estimated residual value of tangible fixed assets in equal instalments over their expected useful lives. No depreciation is provided on freehold land. The asset lives generally applicable are:

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

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.

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.

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 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 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.

AB ELECTRONIC LIMITED

PRINCIPAL ACCOUNTING POLICIES

RETIREMENT BENEFITS

Defined Benefit Pension Scheme

Pension costs are charged to the profit and loss account so as to spread the cost over the expected average service lives of employees in accordance with the recommendation of independent actuaries.

AB ELECTRONIC LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Turnover	1	5,549	6,707
Cost of sales		(4,646)	(5,548)
Gross profit		903	1,159
Distribution costs		(278)	(470)
Administrative expenses		(417)	(450)
Operating profit		208	239
Net interest	2	(56)	(148)
Profit on ordinary activities before taxation	1	152	91
Taxation	3	(43)	(28)
Profit retained	13	109	63

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.

The accompanying accounting policies and notes form an integral part of these financial statements.

AB ELECTRONIC LIMITED

BALANCE SHEET AT 31 DECEMBER 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	6	<u>1,555</u>	<u>1,893</u>
Current assets			
Stocks	7	782	792
Debtors	8	<u>1,503</u>	<u>1,701</u>
		2,285	2,493
Creditors: amounts falling due within one year	9	<u>(1,855)</u>	<u>(2,520)</u>
Net current assets		<u>430</u>	<u>(27)</u>
Total assets less current liabilities		1,985	1,866
Creditors: amounts falling due after more than one year	10	<u>(1,065)</u>	<u>(1,055)</u>
		<u>920</u>	<u>811</u>
Capital and reserves			
Called up share capital	12	713	713
Profit and loss account	13	<u>207</u>	<u>98</u>
Shareholders' funds	14	<u>920</u>	<u>811</u>

The financial statements were approved by the Board of Directors on 14 March 2003.

N A Rodgers



Directors

P L Joyce



The accompanying accounting policies and notes form an integral part of these financial statements.

AB ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2002 £'000	2001 £'000
By destination:		
United Kingdom	1,817	3,207
Rest of Europe	2,737	2,411
North America	959	1,030
Rest of the World	36	59
	<u>5,549</u>	<u>6,707</u>

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

Operating profit is stated after:

	2002 £'000	2001 £'000
Fees to auditors:		
- audit services	10	12
Depreciation:		
- tangible fixed assets	544	613
Research and development costs	(314)	300
	<u></u>	<u></u>

2 NET INTEREST

	2002 £'000	2001 £'000
Interest payable:		
To group undertakings	56	148
	<u></u>	<u></u>

3 TAXATION

	2002 £'000	2001 £'000
United Kingdom corporation tax charge at 30% (2001: 30%)	101	87
Deferred taxation	(55)	(44)
Adjustments in respect of prior years - corporation tax	(3)	(15)
	<u>43</u>	<u>28</u>

AB ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

4 TAX RECONCILIATION

The tax charge is explained as follows:

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	152	91
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2001: 30%)	46	27
Effect of:		
Expenses not deductible for tax purposes	2	3
Capital allowances for the period in excess of depreciation	53	57
Current tax charge for period	101	87

5 DIRECTORS AND EMPLOYEES

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

	2002 £'000	2001 £'000
Wages and salaries	2,113	2,289
Social security costs	170	170
Other pension costs	115	103
	2,398	2,562

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

	2002 Number	2001 Number
Production	111	124
Sales and distribution	9	8
Administration	5	6
	125	138

Remuneration in respect of directors was:

	2002 £'000	2001 £'000
Emoluments	151	93

During the year 2 directors (2001: 6 directors) participated in defined benefit schemes.

AB ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

6 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost			
At 1 January 2002	800	6,633	7,433
Additions	-	201	201
Transfers from group undertakings	-	5	5
Disposals	-	(1)	(1)
At 31 December 2002	<u>800</u>	<u>6,838</u>	<u>7,638</u>
Depreciation			
At 1 January 2002	132	5,408	5,540
Charge for the year	12	532	544
Eliminated on disposals	-	(1)	(1)
At 31 December 2002	<u>144</u>	<u>5,939</u>	<u>6,083</u>
Net book amount at 31 December 2002	<u><u>656</u></u>	<u><u>899</u></u>	<u><u>1,555</u></u>
Net book amount at 31 December 2001	<u><u>668</u></u>	<u><u>1,225</u></u>	<u><u>1,893</u></u>

The net book amount of freehold land and buildings included £200,000 (2001: £200,000) in respect of land.

7 STOCKS

	2002 £'000	2001 £'000
Raw materials and consumables	386	298
Work in progress	156	277
Finished goods	240	217
	<u><u>782</u></u>	<u><u>792</u></u>

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

For the year ended 31 December 2002

8 DEBTORS

	2002 £'000	2001 £'000
Amounts falling due within one year:		
Trade debtors	1,274	1,400
Amounts owed by group undertakings	98	222
Other debtors	55	-
Prepayments	76	79
	<u>1,503</u>	<u>1,701</u>

Included within other debtors are the following amounts falling due after more than one year:

Deferred tax asset, see note 11.	<u>55</u>	<u>-</u>
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The recoverability of the deferred tax asset is dependent on future taxable profits in excess of those arising from the reversal of deferred tax liabilities.

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £'000	2001 £'000
Bank loans and overdrafts	944	1,618
Trade creditors	447	668
Amounts owed to group undertakings	42	53
Corporation tax	71	78
Taxation and social security	39	37
Accruals and deferred income	312	66
	<u>1,855</u>	<u>2,520</u>

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £'000	2001 £'000
Amounts owed to group undertakings	<u>1,065</u>	<u>1,055</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 2002

11 DEFERRED TAXATION

Deferred taxation, which is fully provided for in the financial statements, is analysed as follows:

	2002 £'000	2001 £'000
Accelerated capital allowances	(53)	-
Other short term timing differences	(2)	-
	<u>(55)</u>	<u>-</u>

12 SHARE CAPITAL

	2002 £'000	2001 £'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 2002	98
Retained profit for the year	109
At 31 December 2002	<u>207</u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £'000	2001 £'000
Profit for the year and net movement in shareholders' funds	109	63
Shareholders' funds at 1 January 2002	<u>811</u>	<u>748</u>
Shareholders' funds at 31 December 2002	<u>920</u>	<u>811</u>

AB ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

15 CAPITAL COMMITMENTS

	2002 £'000	2001 £'000
Contracted for but not provided	<u>4</u>	<u>-</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 2002 the amount thus guaranteed by the company was £921,000 (2001: £nil).

17 RETIREMENT BENEFITS

The company participates in a group 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 and the group.

Pension costs are based on the advice of an independent 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 2000 at which time, using the projected unit cost method, the assets of the scheme showed an actuarial valuation of £51.5m representing 102% 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 3% per annum.

The total contributions charged by the company in respect of the year ended 31 December 2002 were £115,000 (2001: £103,000). The difference between the accumulated charge and the payments made to the scheme is dealt with in debtors and creditors as appropriate.

Transitional FRS17 disclosures for defined benefit schemes

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 and accounted for the scheme as if it were a defined contribution scheme.

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 2002. The market value of the scheme assets at the year end was £46,434,000 and the present value of the scheme liabilities was £61,434,000.

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 electronics group of companies.

During the year the company has, in the ordinary course of business, supplied goods and services valued at £12,000 (2001: £nil) to 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 within trade debtors is £nil (2001: £nil).

AB ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

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 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.