

AB ELECTRONIC LIMITED

COMPANY NUMBER 542914

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2001

AB ELECTRONIC LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

Results and dividends

The profit for the year after taxation amounted to £63,000 (2000: loss £483,000).

The directors do not recommend the payment of a dividend and the profit has therefore been transferred from 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:

F H Dietrich (resigned 23 January 2002)
M A Ennever
P L Joyce
N A Rodgers
H J Zegula
S W Weddle (appointed 22 June 2001)

S W Weddle having been appointed since the last Annual General Meeting, 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

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 2001		1 January 2001 (or date of appointment)	
	Shares	Options	Shares	Options
F H Dietrich	-	24,771	-	19,556
M A Ennever	5,816	17,889	5,816	14,514
P L Joyce	2,716	17,889	2,716	16,749
N A Rodgers	-	134,177	-	111,647
H J Zegula	-	35,781	-	33,501
S W Weddle	-	-	-	-
	8,532	230,507	8,532	195,967

Share options are exercisable on or after	Number of options
15 April 1999 at 319.000 pence	8,300
6 June 1999 at 353.000 pence	15,750
22 April 2000 at 359.000 pence	19,500
24 March 2001 at 300.000 pence	23,486
31 March 2002 at 177.500 pence	40,054
28 March 2003 at 91.500 pence	77,702
18 April 2004 at 163.000 pence	45,715
	230,507

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 2001. 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

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



SECRETARY

25 March 2002

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.

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.

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. The other information comprises only the directors' report.

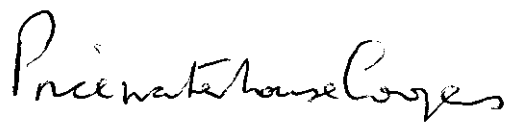
Basis of audit opinion

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

25 March 2002

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 group has implemented FRS 18 "Accounting Policies".

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) 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 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 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
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 Group 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.

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.

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 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

The company operates a Defined Benefit Pension 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 2001

	Note	2001 £'000	2000 £'000
Turnover	1	6,707	5,978
Cost of sales		(5,548)	(5,372)
Gross profit		1,159	606
Distribution costs		(470)	(623)
Administrative expenses		(450)	(461)
Operating profit		239	(478)
Net interest	2	(148)	(166)
Profit on ordinary activities before taxation	1	91	(644)
Taxation	3	(28)	161
Profit retained	13	63	(483)

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.

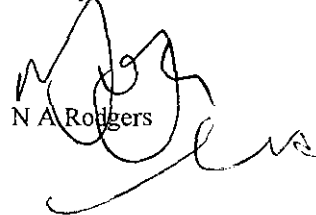
AB ELECTRONIC LIMITED

BALANCE SHEET AT 31 DECEMBER 2001

	Note	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	5	1,893	2,484
Current assets			
Stocks	6	792	1,091
Debtors	7	1,701	1,850
Cash at bank and in hand		-	54
		<u>2,493</u>	<u>2,995</u>
Creditors: amounts falling due within one year	8	<u>(2,520)</u>	<u>(3,622)</u>
Net current liabilities		<u>(27)</u>	<u>(627)</u>
Total assets less current liabilities		1,866	1,857
Creditors: amounts falling due after more than one year	9	(1,055)	(1,065)
Provisions for liabilities and charges	10	-	(44)
		<u>811</u>	<u>748</u>
Capital and reserves			
Called up share capital	12	713	713
Profit and loss account	13	98	35
Shareholders' funds	14	<u>811</u>	<u>748</u>

The financial statements were approved by the Board of Directors on 25 March 2002.

P L Joyce



N A Rodgers

Directors

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 2001

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:

	2001 £'000	2000 £'000
By destination:		
United Kingdom	3,207	2,206
Rest of Europe	2,411	2,699
North America	1,030	1,044
Rest of the World	59	29
	<u>6,707</u>	<u>5,978</u>

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

Operating profit is stated after:

	2001 £'000	2000 £'000
Fees to auditors:		
- audit services	12	12
Depreciation:		
- tangible fixed assets, owned	613	617
	<u>613</u>	<u>617</u>

2 NET INTEREST

	2001 £'000	2000 £'000
Interest payable:		
On bank loans and overdrafts	-	166
To group undertakings	148	-
	<u>148</u>	<u>166</u>

3 TAXATION

	2001 £'000	2000 £'000
United Kingdom corporation tax charge/(credit) at 30% (2000: 30%)	87	(160)
Deferred taxation	(44)	(16)
Adjustments in respect of prior years - corporation tax	(15)	15
	<u>28</u>	<u>(161)</u>

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

For the year ended 31 December 2001

4 DIRECTORS AND EMPLOYEES

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

	2001	2000
	£'000	£'000
Wages and salaries	2,289	2,709
Social security costs	170	190
Other pension costs	103	115
	<u>2,562</u>	<u>3,014</u>

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

	2001	2000
	Number	Number
Production	124	142
Sales and distribution	8	10
Administration	6	6
	<u>138</u>	<u>158</u>

Remuneration in respect of directors was:

	2001	2000
	£'000	£'000
Emoluments	<u>93</u>	<u>190</u>

During the year 2 directors (2000: 6 directors) participated in defined benefit schemes.

AB ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

5 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost			
At 1 January 2001	800	6,676	7,476
Additions	-	23	23
Disposals	-	(65)	(65)
Transfers to group undertakings	-	(1)	(1)
At 31 December 2001	<u>800</u>	<u>6,633</u>	<u>7,433</u>
Depreciation			
At 1 January 2001	120	4,872	4,992
Charge for the year	12	601	613
Eliminated on disposals	-	(65)	(65)
At 31 December 2001	<u>132</u>	<u>5,408</u>	<u>5,540</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>
Net book amount at 31 December 2000	<u><u>680</u></u>	<u><u>1,804</u></u>	<u><u>2,484</u></u>

The net book amount of freehold land and buildings included £200,000 (2000: £200,000) in respect of land.

6 STOCKS

	2001 £'000	2000 £'000
Raw materials and consumables	298	553
Work in progress	277	189
Finished goods	217	349
	<u><u>792</u></u>	<u><u>1,091</u></u>

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

For the year ended 31 December 2001

7 DEBTORS

	2001 £'000	2000 £'000
Amounts falling due within one year:		
Trade debtors	1,400	1,398
Amounts owed by group undertakings	222	241
Other debtors	-	157
Prepayments	79	54
	<u>1,701</u>	<u>1,850</u>
Included in the above are the following amounts, which are due after more than one year:		
Other debtors	-	145
	<u>-</u>	<u>145</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £'000	2000 £'000
Bank loans and overdrafts	1,618	2,624
Trade creditors	668	718
Amounts owed to group undertakings	53	76
Corporation tax	78	-
Taxation and social security	37	31
Accruals and deferred income	66	173
	<u>2,520</u>	<u>3,622</u>

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £'000	2000 £'000
Amounts owed to group undertakings	<u>1,055</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 2001

10 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £'000
At 1 January 2001	44
Profit and loss account	(44)
At 31 December 2001	<u>-</u>

11 DEFERRED TAXATION

Deferred taxation is analysed as follows:

	Amount provided		Amount unprovided	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Accelerated capital allowances	-	46	-	66
Other short term timing differences	-	(2)	-	-
	<u>-</u>	<u>44</u>	<u>-</u>	<u>66</u>

The amount unprovided represents a contingent liability at 31 December 2001.

12 SHARE CAPITAL

	2001 £'000	2000 £'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 2001	35
Profit for the year	63
At 31 December 2001	<u>98</u>

AB ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £'000	2000 £'000
Profit for the year	63	(483)
Net movement in shareholders' funds	63	(483)
Shareholders' funds at 1 January 2001	748	1,231
Shareholders' funds at 31 December 2001	<u>811</u>	<u>748</u>

15 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2001 or 31 December 2000.

16 CONTINGENT LIABILITIES

The company has contingent liabilities of £315,000 (2000: £nil) in respect of forward foreign exchange contracts entered into in the normal course of business.

There was a cross guarantee between certain companies in the group on all bank overdrafts with the HSBC Bank plc. At 31 December 2001 the amount thus guaranteed by the company was £nil (2000: £10,488,000).

17 RETIREMENT BENEFITS

The company participates in a group pension scheme to provide benefits to directors and employees.

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 2001 were £103,000 (2000: £115,000). 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 2001. The market value of the scheme assets at the year end was £56,878,000 and the present value of the scheme liabilities was £60,638,000.

B ELECTRONIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

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.

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.