



AB Electronic Limited

(formerly known as Colvern Limited)

Company Number: 542914

Directors' Report and

Financial Statements

For the year ended

31 December 1996

AB Electronic Limited **(formerly known as Colvern Limited)**

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Report of the directors

The directors present their report and the audited financial statements for the year ended 31 December 1996.

Results

The loss for the year after taxation was £203,000 (1995: £140,000).

The directors do not recommend the payment of a dividend.

Activities

The company's principal activity during the year was the design and manufacture of precision potentiometers and auto sensors.

Review of the business

The results for the year are shown in the profit and loss account on page 4.

Future developments

The company expects to increase its present activity level.

Directors

The directors of the company during the year were as follows:

D G Swindell
M A Ennever
P L Joyce
B L Bolton-Knight
S W A Comonte (resigned 16 October 1996)
F M Dietrich (appointed 2 May 1996)
H J Zegula (appointed 2 May 1996)
N A Rodgers (appointed 16 October 1996)

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

Change of name

The company name was changed from Colvern Limited to AB Electronic Limited on 14 January 1997.

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Report of the directors (continued)

The beneficial interests of each director in the shares of the ultimate parent undertaking are noted below:

	25p ordinary shares			
	31 December 1996		31 December 1995 or date of appointment	
	Shares	Options	Shares	Options
D G Swindell	2,366	11,541	2,366	8,791
M A Ennever	2,816	11,541	2,816	8,791
P L Joyce	2,716	11,541	2,716	8,791
N A Rodgers	3,489	22,245	3,489	22,245
F H Dietrich	-	-	-	-
H J Zegula	-	14,695	-	14,695
B L Bolton-Knight	-	4,985	-	2,235

Options	Exercisable on or after	Price Pence
15,750	6.6.99	353.000
13,800	15.4.99	319.000
17,880	9.11.97	232.000
16,536	18.11.96	219.333
12,582	23.11.95	125.536

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**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 year 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 1996. 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
14 March 1997

Registered office:

Spring Gardens
Romford
Essex
RM7 9LP

AB Electronic Limited
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Profit and loss account
for the year ended 31 December 1996

	Notes	1996		1995	
		£'000	£'000	£'000	£'000
Turnover	1		4,532		6,150
Cost of sales			(4,042)		(5,418)
Gross profit			<u>490</u>		<u>732</u>
Distribution costs		(390)		(444)	
Administrative expenses		(299)		(436)	
			<u>(689)</u>		<u>(880)</u>
Operating loss	1,2		(199)		(148)
Interest	3		(53)		(66)
Loss on ordinary activities before taxation			<u>(252)</u>		<u>(214)</u>
Taxation	4		49		74
Loss retained			<u>(203)</u>		<u>(140)</u>

The above results all arise from continuing activities.

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

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

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Balance sheet
at 31 December 1996

	Notes	1996 £'000	1995 £'000
Fixed assets			
Tangible assets	6	2,793	2,242
Current assets			
Stocks	7	912	960
Debtors	8	1,222	1,210
Cash at bank and in hand		17	13
		<u>2,151</u>	<u>2,183</u>
Creditors: amounts falling due within one year	9	(2,030)	(1,484)
Net current assets		<u>121</u>	<u>699</u>
Total assets less current liabilities		<u>2,914</u>	<u>2,941</u>
Creditors: amounts falling due after more than one year	10	1,125	1,000
Provisions for liabilities and charges	11	212	161
		<u>1,337</u>	<u>1,161</u>
Capital and reserves			
Called up share capital	12	713	713
Profit and loss account	14	864	1,067
Equity shareholders' funds	13	<u>1,577</u>	<u>1,780</u>
		<u>2,914</u>	<u>2,941</u>

The financial statements were approved by the Board of Directors on 14 March 1997:

F H Dietrich



Directors

M A Ennever



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Notes to the financial statements
for the year ended 31 December 1996

Accounting policies

Accounting convention

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

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 No 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.

Depreciation

No depreciation is provided on freehold land. Depreciation on other fixed assets is calculated to write down the cost of all tangible assets to residual value by equal annual instalments over their expected useful lives. The periods generally applicable are:

Freehold buildings	2%
Plant, equipment and vehicles	10% to 25%
Computers	33 1/3%

Stocks

Stocks are valued at the lower of cost and net realisable value.

Notes to the financial statements (continued)

Accounting policies (continued)

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.

Leases

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

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 costs 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 the current employees in the scheme.

Notes to the financial statements (continued)

1 Turnover and operating loss

Turnover which is derived from the design and manufacture of precision potentiometers and auto sensors is analysed below:

	1996	1995
	£'000	£'000
By destination:		
United Kingdom	2,258	2,449
Rest of Europe	2,124	3,650
North America	130	39
Other	20	12
	<u>4,532</u>	<u>6,150</u>

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

2 Operating loss

This is stated after charging:

	1996	1995
	£'000	£'000
Depreciation	367	326
Directors' emoluments	153	159
Fees to auditors - audit	9	8
- other	1	1
Operating leases - other assets	9	9
Management Fees	-	80
Redundancy costs	-	184
	<u>639</u>	<u>747</u>

3 Interest

	1996	1995
	£'000	£'000
Interest payable:		
On borrowings repayable on demand	53	66
	<u>53</u>	<u>66</u>

Notes to the financial statements (continued)

4 Taxation

	1996	1995
	£000	£000
Corporation tax credit at 33% (1995: 33%)	(100)	(75)
Deferred taxation	51	1
	<u>(49)</u>	<u>(74)</u>

5 Employees

The average number of employees of the company (including directors) during the period and their aggregate emoluments are shown below:

	1996	1995
	Number	Number
Production	120	195
Sales and distribution	6	8
Administration	6	8
	<u>132</u>	<u>211</u>
	£000	£000
Wages and salaries	1,651	2,484
Social security costs	130	190
Other pension costs	85	101
	<u>1,866</u>	<u>2,775</u>

The directors' emoluments for services excluding pension contributions were:

	1996	1995
	£000	£000
Chairman	-	-
Highest paid director	38	36
	<u>38</u>	<u>36</u>

Notes to the financial statements (continued)

5 Employees (continued)

Other directors

	1996 Number	1995 Number
£0 to £5,000	3	-
£5,001 to £10,000	-	1
£30,001 to £35,000	3	3
	<u> </u>	<u> </u>

6 Tangible fixed assets

	Total £'000	Freehold land and buildings £'000	Plant, equipment and vehicles £'000
Cost			
At 1 January 1996	4,294	800	3,494
Additions	888	-	888
Disposals	(78)	-	(78)
Intercompany transfers	223	-	223
At 31 December 1996	<u>5,327</u>	<u>800</u>	<u>4,527</u>
Depreciation			
At 1 January 1996	2,052	60	1,992
Provided in the year	367	12	355
Disposals	(76)	-	(76)
Intercompany transfers	191	-	191
At 31 December 1996	<u>2,534</u>	<u>72</u>	<u>2,462</u>
Net book amount at 31 December 1996	<u>2,793</u>	<u>728</u>	<u>2,065</u>
Net book amount at 31 December 1995	<u>2,242</u>	<u>740</u>	<u>1,502</u>

Notes to the financial statements (continued)

7 Stocks

	1996	1995
	£'000	£'000
Raw materials and consumables	432	340
Work in progress	170	217
Finished goods and goods for resale	310	403
	<u>912</u>	<u>960</u>

8 Debtors

	1996	1995
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	1,006	1,069
Amounts owed by parent and fellow subsidiary undertakings	75	94
Prepayments	41	47
Advance corporation tax	100	-
	<u>1,222</u>	<u>1,210</u>

9 Creditors: amounts falling due within one year

	1996	1995
	£'000	£'000
Bank loans and overdrafts	823	647
Trade creditors	489	527
Amounts owed to parent and fellow subsidiary undertakings	591	186
Taxation and social security	74	69
Accruals	53	55
	<u>2,030</u>	<u>1,484</u>

Notes to the financial statements (continued)

10 Creditors: amounts falling due after more than one year

	1996 £'000	1995 £'000
Amounts owed to parent and fellow subsidiary undertakings	<u>1,125</u>	<u>1,000</u>

11 Provision for liabilities and charges

	1996 £'000	1995 £'000
Deferred taxation (note 17)		
At 1 January 1996	161	162
Profit and loss account	51	(1)
At 31 December 1996	<u>212</u>	<u>161</u>

12 Called up share capital

	Authorised		Allotted and fully paid	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Ordinary shares of 100p each	<u>1,150</u>	<u>1,150</u>	<u>713</u>	<u>713</u>

13 Reconciliation of movements in shareholders' funds

	1996 £'000	1995 £'000
Retained loss for the financial year	(203)	(140)
Shareholders' funds at 1 January 1996	<u>1,780</u>	<u>1,920</u>
Shareholders' funds at 31 December 1996	<u>1,577</u>	<u>1,780</u>

Notes to the financial statements (continued)

14 Reserves

	Profit and loss account £'000
At 1 January 1996	1,067
Loss retained for the year	(203)
At 31 December 1996	<u>864</u>

15 Capital commitments

	1996 £'000	1995 £'000
Contracted for but not provided	<u>205</u>	<u>329</u>

16 Leasing commitments

At 31 December 1996 there were commitments due within one year in respect of other operating leases as follows:

	1996 £'000	1995 £'000
Operating lease payments due to terminate:		
Within one year	1	1
Between two and five years	7	6
	<u>8</u>	<u>7</u>

17 Contingent liabilities

Deferred taxation

Deferred taxation provided in the financial statements and the total potential liability, including the amount provided, are set out below. The differences of £66,000 (1995: £64,000) represent deferred tax not recognised on industrial buildings.

Notes to the financial statements (continued)

Deferred taxation (continued)

	Amount provided		Total potential liability	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Accelerated capital allowances	216	174	282	238
Other short term timing differences	(4)	(13)	(4)	(13)
	<u>212</u>	<u>161</u>	<u>278</u>	<u>225</u>

18 Guarantees and financial commitments

There was a cross guarantee between certain companies in the group on all bank overdrafts with the Midland Bank plc. At 31 December 1996 the amount thus guaranteed by the company was £Nil (1995: £Nil).

19 Pension scheme

The Company participates in the Crystalate Holdings Group pension schemes. These are defined benefit schemes which provide benefits to members based on their final remuneration. The schemes are set up under trust and their assets are, therefore, independent from those of the company or its related undertakings. Pension costs are assessed in accordance with the advice of qualified actuaries using recognised actuarial methods. As at 1 January 1996 these schemes were merged.

The latest actuarial valuations of the schemes were in April and June 1994, at which time using the projected unit cost method the assets of the scheme represented from 106% to 124% 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 pension charge for the year was £84,795 (1995: £101,000).

20 Transactions with related parties

The company has taken advantage of the exemptions available under Financial Reporting Standard No 8 and has not disclosed transactions with companies that are part of the TT Group of companies.

Notes to the financial statements (continued)

21 Controlling related parties

Crystalate Electronics Limited is the company's controlling related party by nature of its 100% 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.

Report of the auditors to the members of AB Electronic Limited

We have audited the financial statements on pages 4 to 15 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.

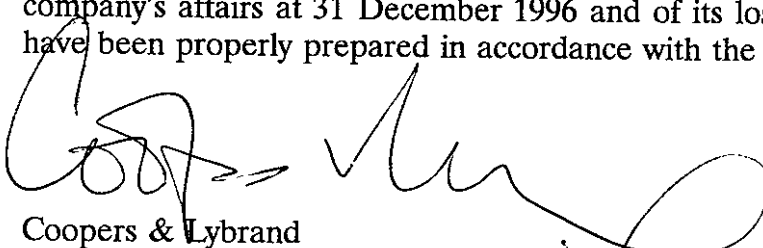
Basis of opinion

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 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

14/3/97