

**AB Electronic Limited**  
Financial statements  
For the year ended 31 December 2003



**Company No. 542914**

## Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2003.

### Principal activities and business review

The principal activity of the company is the design and manufacture of precision potentiometers and proximity switches.

The profit for the year after taxation amounted to £282,000 (2002 - £109,000).

### Future developments

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

### 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 (2002 - £nil).

### Directors

The directors who served the company during the year were as follows:

M A Ennever  
P L Joyce  
N A Rodgers  
S W Weddle

The company is a wholly owned subsidiary of TT electronics plc and the interests of the group directors are disclosed in the financial statements of the parent company.

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 2003		1 January 2003	
	Shares	Options	Shares	Options
M A Ennever	5,816	28,719	5,816	21,344
P L Joyce	2,716	28,719	2,716	21,344
	<u>8,532</u>	<u>57,438</u>	<u>8,532</u>	<u>42,688</u>

**Share options are exercisable on or after:**

	<b>Number of options</b>
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
	<hr/> 57,438

The beneficial interests of N A Rodgers are disclosed in the financial statements of TT electronics plc since he is also a director of that company.

**Directors' responsibilities**

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 at the end of the year and of the profit or loss for the year then ended. 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, for safeguarding the assets of the company and 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  
26 March 2004

## Report of the independent auditors 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 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 transactions is not disclosed.

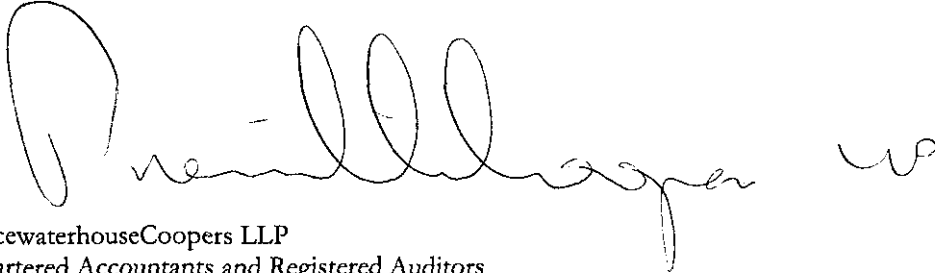
### **Basis of opinion**

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 affairs of the company at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'P. Williams', followed by a small flourish or mark to the right.

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

26 March 2004

## Principal accounting policies

### Accounting convention

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

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

### 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 "Cash Flow Statements" from publishing a cash flow statement.

### 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.

### 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.

Following the implementation of FRS 15 "Tangible Fixed Assets" the company 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.

The carrying values of fixed assets are reviewed for impairment where there is an indication that the asset may be impaired.

### 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.

**Pension commitments**

**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.



## Profit and loss account

	Note	2003 £000	2002 £000
Turnover	1	5,433	5,549
Cost of sales		<u>(4,389)</u>	<u>(4,646)</u>
Gross profit		1,044	903
Other operating charges	2	<u>(629)</u>	<u>(695)</u>
<b>Operating profit</b>	3	415	208
Interest payable	6	<u>(34)</u>	<u>(56)</u>
<b>Profit on ordinary activities before taxation</b>		<u>381</u>	<u>152</u>
Tax on profit on ordinary activities	7	<u>(99)</u>	<u>(43)</u>
<b>Retained profit for the financial year</b>		<u>282</u>	<u>109</u>

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

The company has no recognised gains or losses other than the results for the year as set out above.

## Balance sheet

	Note	2003 £000	2002 £000
<b>Fixed assets</b>			
Tangible assets	8	<u>1,420</u>	<u>1,555</u>
<b>Current assets</b>			
Stocks	9	879	782
Debtors	10	<u>1,501</u>	<u>1,503</u>
		<u>2,380</u>	<u>2,285</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(1,533)</u>	<u>(1,855)</u>
<b>Net current assets</b>		<u>847</u>	<u>430</u>
<b>Total assets less current liabilities</b>		<u>2,267</u>	<u>1,985</u>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(1,065)</u>	<u>(1,065)</u>
		<u>1,202</u>	<u>920</u>
<b>Capital and reserves</b>			
Called-up equity share capital	16	713	713
Profit and loss account	17	<u>489</u>	<u>207</u>
<b>Shareholders' funds</b>	18	<u>1,202</u>	<u>920</u>

These financial statements were approved by the directors on 26 March 2004 and are signed on their behalf by:

M A Ennever

P L Joyce



## 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:

	2003 £000	2002 £000
United Kingdom	1,578	1,817
Rest of Europe	2,842	2,737
North America	985	959
Rest of the World	28	36
	<u>5,433</u>	<u>5,549</u>

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

### 2 Other operating income and charges

	2003 £000	2002 £000
Distribution costs	308	278
Administrative expenses	321	417
	<u>629</u>	<u>695</u>

### 3 Operating profit

Operating profit is stated after charging:

	2003 £000	2002 £000
Research and development expenditure written off	387	—
Depreciation of owned fixed assets	412	544
Auditors' remuneration:		
Audit fees	<u>10</u>	<u>10</u>

**4 Directors and employees**

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

	2003 No	2002 No
Production	106	111
Sales and distribution	9	9
Administration	5	5
	<u>120</u>	<u>125</u>

The aggregate payroll costs of the above were:

	2003 £000	2002 £000
Wages and salaries	2,287	2,113
Social security costs	193	170
Other pension costs	129	115
	<u>2,609</u>	<u>2,398</u>

**5 Directors**

Remuneration in respect of directors was as follows:

	2003 £000	2002 £000
Emoluments receivable	<u>128</u>	<u>151</u>

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

	2003 No	2002 No
Defined benefit schemes	<u>2</u>	<u>2</u>

**6 Interest payable and similar charges**

	2003 £000	2002 £000
To group undertakings	<u>34</u>	<u>56</u>

**7 Taxation on ordinary activities**

(a) Analysis of charge in the year

	2003 £000	2002 £000
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2002 - 30%)	138	101
Adjustment in respect of prior periods	(17)	(3)
Total current tax	<u>121</u>	<u>98</u>
Deferred tax:		
Decrease in deferred tax provision	<u>(22)</u>	<u>(55)</u>
Tax charge on profit on ordinary activities	<u>99</u>	<u>43</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 - 30%).

	2003 £000	2002 £000
Profit on ordinary activities before taxation	<u>381</u>	<u>152</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2002 - 30%)	114	46
Expenses not deductible for tax purposes	4	2
Depreciation for the period less than capital allowances	19	53
Other	1	-
Adjustment in respect of prior periods	(17)	(3)
Total current tax (note 7(a))	<u>121</u>	<u>98</u>

**8 Tangible fixed assets**

	Freehold Land & Buildings £000	Plant, Equipment and Vehicles £000	Total £000
Cost			
At 1 January 2003	800	6,838	7,638
Additions	–	276	276
Transfers	–	11	11
At 31 December 2003	<u>800</u>	<u>7,125</u>	<u>7,925</u>
Depreciation			
At 1 January 2003	144	5,939	6,083
Charge for the year	12	400	412
Transfers	–	10	10
At 31 December 2003	<u>156</u>	<u>6,349</u>	<u>6,505</u>
Net book value			
At 31 December 2003	<u>644</u>	<u>776</u>	<u>1,420</u>
At 31 December 2002	<u>656</u>	<u>899</u>	<u>1,555</u>

The net book value amount of freehold land and buildings included £200,000 (2002 - £200,000) in respect of land.

**9 Stocks**

	2003 £000	2002 £000
Raw materials	438	386
Work in progress	185	156
Finished goods	256	240
	<u>879</u>	<u>782</u>

**10 Debtors**

	2003 £000	2002 £000
Trade debtors	1,042	1,274
Amounts owed by group undertakings	184	98
Prepayments and accrued income	198	76
Deferred taxation (note 11)	77	55
	<u>1,501</u>	<u>1,503</u>

**10 Debtors (continued)**

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

	2003 £000	2002 £000
Deferred tax asset	<u>77</u>	<u>55</u>

**11 Deferred taxation**

	2003 £000	2002 £000
The movement in the deferred taxation account during the year was:		
Balance brought forward	(55)	–
Profit and loss account movement arising during the year	<u>(22)</u>	<u>(55)</u>
Balance carried forward	<u>(77)</u>	<u>(55)</u>

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

	2003 £000	2002 £000
Excess of taxation allowances over depreciation on fixed assets	73	53
Other timing differences	<u>4</u>	<u>2</u>
	<u>77</u>	<u>55</u>

**12 Creditors: amounts falling due within one year**

	2003 £000	2002 £000
Bank loans and overdrafts	804	944
Trade creditors	460	447
Amounts owed to group undertakings	51	42
Corporation tax	97	71
Other taxation and social security	32	39
Accruals and deferred income	89	312
	<u>1,533</u>	<u>1,855</u>

**13 Creditors: amounts falling due after more than one year**

	2003 £000	2002 £000
Amounts owed to group undertakings	<u>1,065</u>	<u>1,065</u>

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

**14 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 2003 the amount thus guaranteed by the company was £4,154,000 (2002 - £921,000).

**15 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 £27,000 (2002 - £12,000) and purchased goods and services valued at £4,000 (2002 - £nil) 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 (2002 - £nil).

**16 Share capital**

Authorised share capital:

	2003 £000	2002 £000
2,852,500 Ordinary shares of £0.25 each	<u>713</u>	<u>713</u>

Allotted, called up and fully paid:

	2003		2002	
	No	£000	No	£000
Ordinary shares of £0.25 each	<u>2,852,500</u>	<u>713</u>	<u>2,852,500</u>	<u>713</u>

**17 Reserves**

	Profit and loss account £000
At 1 January 2003	207
Retained profit for the year	282
At 31 December 2003	<u>489</u>



**18 Reconciliation of movements in shareholders' funds**

	2003	2002
	£000	£000
Profit for the financial year	282	109
Opening shareholders' equity funds	920	811
Closing shareholders' equity funds	<u>1,202</u>	<u>920</u>

**19 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.

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 latest actuarial valuation of the scheme was as 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 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 2003 were £129,000 (2002 - £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, if FRS17 had been applied the company would take advantage of the exemption in FRS17 and account for the scheme as if it were a defined contribution scheme.

The transitional FR17 disclosures in relation to the pension scheme can be obtained from the TT electronics plc accounts.

**20 Ultimate parent company**

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.

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 2003		1 January 2003	
	Shares	Options	Shares	Options
M G Leigh	103,257	102,703	103,257	73,453
P Felbeck	-	42,303	-	20,428
	<u>103,257</u>	<u>145,006</u>	<u>103,257</u>	<u>93,881</u>

Share options are exercisable on or after:

	Number of options
4 April 1998 at 241.000p	6,198
6 June 1999 at 353.000p	4,700
22 April 2000 at 359.000p	4,178
24 March 2001 at 300.000p	5,033
31 March 2002 at 177.500p	8,873
28 March 2003 at 91.500p	17,213
18 April 2004 at 163.000p	23,625
3 April 2005 at 165.000p	24,061
26 March 2006 at 80.000p	51,125
	<u>145,006</u>

The beneficial interests of J W Newman and R W Weaver are disclosed in the financial statements of TT electronics plc since they are also directors of that company.

**Directors' responsibilities**

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 at the end of the year and of the profit or loss for the year then ended. 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

Grant Thornton 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:**

Clive House  
12 - 18 Queens Road  
Weybridge  
Surrey  
KT13 9XB

**BY ORDER OF THE BOARD**



M G Leigh  
Secretary  
26 March 2004