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Financial statements AB Electronic Limited

For the Year Ended 31 December 2009



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 2009

Principal activities and business review

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

Future Developments

During 2009 plans were executed that have significantly reduced the manufacturing cost of the company's products and reduced the fixed cost base. A significant part of the manufacturing capacity has been moved to Low Cost Countries and the residual UK facility has been moved to a smaller site in the UK, with the original Romford site vacated and handed over to the landlord at the mid year

While the execution of the 2009 plan has significantly reduced the cost base, further actions are planned for 2010 to ensure there is a more robust profit position going forward. The plans include the cessation of all high volume manufacturing in the UK and incorporate wider strategic reorganisation of the Sensors Division of TT electronics plc. The directors consider that the actions taken in 2009 and planned for 2010 will be sufficient to return the company to a more robust profit position in 2010

Business Review

The company continued to be adversely affected by the general worldwide recession throughout 2009. However, the established customer base remains, inflationary pressures on material supplies have been largely resisted with significant volumes of material sourcing being moved to Asia, the fixed cost base has been significantly reduced and further improvements in manufacturing efficiency achieved during 2009

Principal Risks and Uncertainties

The company is exposed to transaction and translation foreign exchange risk. However, transaction exposures are hedged using the forward hedge market and are mitigated by increasing foreign currency purchasing offsetting foreign currency sales

Development and Performance

The directors regularly review gross margins, material pricing trends and manufacturing efficiency through various established key performance indicators. The directors regularly review medium term business forecasts to ensure appropriate action is taken to maintain profitability. Product development opportunities are pursued with existing and potential customers and assessed regularly by the directors

Results and dividends

The loss for the year amounted to £1,068,000. The directors have not recommended a dividend

Financial risk management objectives and policies

The company uses financial instruments, other than derivatives, comprising borrowings, cash 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's 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.

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 were as follows:

P L Joyce	
S F Munday	
A J Corney	
J N Sawford	
P Murray	(Appointed 1 December 2009)
P D Fountain	(Resigned 11 September 2009)

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 period. In preparing these 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 UK 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 adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

REGISTERED OFFICE
Silver Key Church Manorway
Belvedere
Enth
Kent
DA8 1EX

BY ORDER OF THE BOARD



W J Sharp
Secretary
12 March 2010

542914



Report of the independent auditor to the members of AB Electronic Limited

We have audited the financial statements of AB Electronic Limited for the year ended 31 December 2009 which comprise the principal accounting policies, the profit and loss account, the balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the independent auditor to the members of AB Electronic Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

David Miller
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
LONDON
12 March 2010

Principal accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention

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

These financial statements have been prepared on the basis of the continued financial support of the ultimate parent company TT electronics plc to enable the company to pay its debts as they fall due.

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 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.

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:

Plant, equipment and vehicles	-	between 3 and 10 years on cost according to asset type
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Stocks

Stocks and work in progress are stated at the lower of cost, including related overheads, and net realisable value.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

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 not discounted and 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.

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 FRS 17 to assess the liabilities of the scheme at 31 December 2009. Accordingly, the pension costs in respect of the defined benefit scheme represent the amount of contributions payable in respect of the accounting period.

Defined Contribution Pension Scheme

Pension costs represent the amount of contributions payable in respect of the accounting period.

Share-based payments

The fair value at the date of grant of share based remuneration, principally share options, is calculated using a binomial pricing model and charged to the income statement on a straight line basis over the vesting period of the award. The charge to the income statement takes account of the estimated number of shares that will vest. All share based remuneration is equity settled.

Profit and loss account

	Note	2009 £000	2008 £000
Turnover	1	7,753	10,613
Cost of sales		(7,380)	(9,334)
Gross profit		<u>373</u>	<u>1,279</u>
Other operating charges	2	(1,570)	(1,801)
Operating loss	3	<u>(1,197)</u>	<u>(522)</u>
Loss on disposal of fixed assets	6	(1)	(1)
Cost of restructuring the company	7	(403)	(1,101)
		<u>(1,601)</u>	<u>(1,624)</u>
Interest receivable		-	2
Interest payable and similar charges	8	(11)	(10)
Loss on ordinary activities before taxation		<u>(1,612)</u>	<u>(1,632)</u>
Tax on loss on ordinary activities	9	544	369
Loss for the financial year	19	<u>(1,068)</u>	<u>(1,263)</u>

All of the activities of the company are classed as continuing

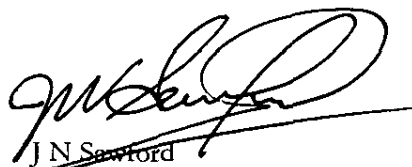
The company has no recognised gains or losses other than the results for the year as set out above

Balance sheet

	Note	2009 £000	2008 £000
Fixed assets			
Tangible assets	10	<u>103</u>	<u>316</u>
Current assets			
Stocks	11	1,776	2,118
Debtors	12	1,782	2,398
Cash at bank		162	–
		<u>3,720</u>	<u>4,516</u>
Creditors' amounts falling due within one year	13	(3,669)	(3,610)
Net current assets		<u>51</u>	<u>906</u>
Total assets less current liabilities		<u>154</u>	<u>1,222</u>
Creditors: amounts falling due after more than one year	14	(1,065)	(1,065)
		<u>(911)</u>	<u>157</u>
Capital and reserves			
Called-up equity share capital	18	713	713
Profit and loss account	19	(1,624)	(556)
(Deficit)/shareholders' funds	20	(911)	157

These financial statements were approved by the directors and authorised for issue on 12 March 2010, and are signed on their behalf by

P L Joyce

J N Sawford

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:

	2009 £000	2008 £000
United Kingdom	1,024	3,090
Rest of Europe	5,208	5,984
North America	418	753
Rest of the World	1,103	786
	<u>7,753</u>	<u>10,613</u>

The whole of turnover and (loss)/profit on ordinary activities before taxation originated in the United Kingdom

2 Other operating charges

	2009 £000	2008 £000
Distribution costs	805	930
Administrative expenses	765	871
	<u>1,570</u>	<u>1,801</u>

3 Operating loss

Operating loss is stated after charging

	2009 £000	2008 £000
Research and development expenditure written off	372	378
Depreciation of owned fixed assets	117	323
Auditor's remuneration		
Audit fees	12	18
	<u>12</u>	<u>18</u>

4 Directors and employees

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

	2009 No	2008 No
Production	44	132
Sales and distribution	7	7
Administration	2	5
	<u>53</u>	<u>144</u>

The aggregate payroll costs of the above were

	2009 £000	2008 £000
Wages and salaries	1,660	3,672
Social security costs	196	310
Other pension costs	119	171
	<u>1,975</u>	<u>4,153</u>

5 Directors

Remuneration in respect of directors was as follows

	2009 £000	2008 £000
Emoluments receivable	<u>260</u>	<u>282</u>

Emoluments of highest paid director.

	2009 £000	2008 £000
Total emoluments (excluding pension contributions)	<u>80</u>	<u>76</u>

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

	2009 No	2008 No
Defined benefit schemes	<u>2</u>	<u>2</u>

6 Loss on disposal of fixed assets

	2009 £000	2008 £000
Loss on disposal of fixed assets	<u>(1)</u>	<u>(1)</u>

7 Cost of reorganisation or restructuring

	2009 £000	2008 £000
Redundancy costs	403	1,101

8 Interest payable and similar charges

	2009 £000	2008 £000
To group undertakings	11	10

9 Taxation on ordinary activities

(a) Analysis of charge in the year

	2009 £000	2008 £000
Current tax		
UK Corporation tax based on the results for the year at 28% (2008 - 28.50%)	(414)	(362)
Adjustment in respect of prior periods	(130)	(7)
Total current tax	(544)	(369)

(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 28% (2008 - 28.50%)

	2009 £000	2008 £000
Loss on ordinary activities before taxation	(1,612)	(1,632)
Loss on ordinary activities by rate of tax	(451)	(465)
Expenses not deductible for tax purposes	29	5
Depreciation for the period in excess of capital allowances	33	97
Short term timing differences	(24)	1
Loss on disposal of fixed assets	(1)	-
Adjustment in respect of prior periods	(130)	(7)
Total current tax (note 9(a))	(544)	(369)

10 Tangible fixed assets

	Plant, Equipment and Vehicles £000
Cost	
At 1 January 2009	7,757
Additions	56
Disposals	(263)
Transfers	(820)
At 31 December 2009	<u>6,730</u>
Depreciation	
At 1 January 2009	7,441
Charge for the year	117
On disposals	(257)
Transfers	(674)
At 31 December 2009	<u>6,627</u>
Net book value	
At 31 December 2009	<u>103</u>
At 31 December 2008	<u>316</u>

11 Stocks

	2009 £000	2008 £000
Raw materials	514	534
Work in progress	35	92
Finished goods	1,227	1,492
	<u>1,776</u>	<u>2,118</u>

12 Debtors

	2009 £000	2008 £000
Trade debtors	1,212	1,482
Amounts owed by group undertakings	122	689
Corporation tax repayable	384	189
Other taxation and social security	17	-
Prepayments and accrued income	47	38
	<u>1,782</u>	<u>2,398</u>

13 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Overdrafts	894	642
Trade creditors	315	530
Amounts owed to group undertakings	1,799	1,317
Other taxation and social security	-	78
Accruals and deferred income	661	1,043
	<u>3,669</u>	<u>3,610</u>

14 Creditors: amounts falling due after more than one year

	2009 £000	2008 £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.

15 Derivatives

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

	2009 £000	2008 £000
Forward exchange contracts	<u>-</u>	<u>44</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 2009 the amount thus guaranteed by the company was £8,251,520 (2008 - £19,078,902)

17 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

18 Share capital

Authorised share capital

	2009 £000	2008 £000
2,852,500 Ordinary shares of £0.25 each	<u>713</u>	<u>713</u>

18 Share capital (continued)

Allotted, called up and fully paid

	2009		2008	
	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>

19 Reserves

	Profit and loss account £000
At 1 January 2009	(556)
Loss for the year	(1,068)
At 31 December 2009	<u>(1,624)</u>

20 Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
Loss for the financial year	(1,068)	(1,263)
Opening shareholders' funds	157	1,420
Closing shareholders' (deficit)/funds	<u>(911)</u>	<u>157</u>

21 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £Nil (2008 - £20,000)

22 Pension commitments

The company participates in a group defined benefit pension scheme, the TT electronics defined benefit 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 group.

The defined benefit scheme participated in by the company is a multi-employer 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 FRS 17 to assess the liabilities of the scheme at 31 December 2009.

The total contributions charged by the company in respect of the year ended 31 December 2009 were £118,000 (2008 - £170,869). 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 TT electronics defined benefit scheme has been updated by an independent qualified actuary, taking account of the requirements of FRS 17 to assess the liabilities of the scheme at 31 December 2009. The market value of the scheme assets at the year end was £299,455,000 and the present value of the scheme liabilities was £339,722,000.

23 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

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