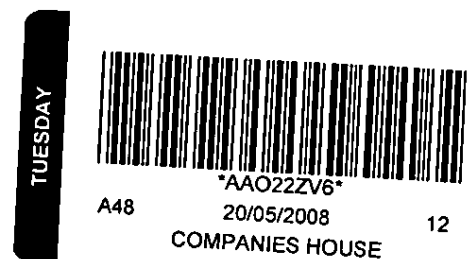


# Financial Statements

## AB Electronic Limited

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For the year ended 31 December 2007



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 2007

### **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**

The directors consider that the actions taken in 2007 which have maintained the profitability of the company will be sufficient to grow the company's profitability in 2008

### **Business review**

The company has increased external turnover through an established customer base, largely resisted inflationary pressures on material supplies and further improved manufacturing efficiency during 2007

### **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 profit for the year, after taxation, amounted to £1,531,000. 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 other liquid resources 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  
J H Gray  
S F Munday  
J N Sawford  
C E Irving-Swift  
A J Corney

(Appointed 13 February 2007)

### **Directors' responsibilities**

The directors are responsible for preparing the Report of the directors 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 proper 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 1985. 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  
Spring Gardens  
Romford  
Essex  
RM7 9LP

BY ORDER OF THE BOARD



W J Sharp  
Secretary  
14 March 2008



## 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 2007 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditor**

The directors' responsibilities for preparing the Report of the directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Report of the directors is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Report of the directors and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

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

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the directors is consistent with the financial statements

*Grant Thornton UK LLP*

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS

**SHEFFIELD**  
14 March 2008

## 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 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:

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.

### **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 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 2007. 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	2007 £000	2006 £000
Turnover	1	11,329	11,744
Cost of sales		(9,711)	(9,679)
Gross profit		<u>1,618</u>	<u>2,065</u>
Other operating charges	2	(1,810)	(1,737)
<b>Operating (loss)/profit</b>	3	<u>(192)</u>	<u>328</u>
Profit on disposal of fixed assets	6	1,804	–
Interest payable and similar charges	7	(70)	(107)
<b>Profit on ordinary activities before taxation</b>		<u>1,542</u>	<u>221</u>
Tax on profit on ordinary activities	8	(11)	(370)
<b>Profit/(loss) for the financial year</b>	18	<u><u>1,531</u></u>	<u><u>(149)</u></u>

All of the activities of the company are classed as continuing

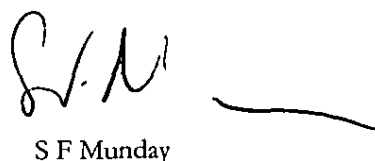
The company has no recognised gains or losses other than the results for the year as set out above

## Balance sheet

	Note	2007 £000	2006 £000
<b>Fixed assets</b>			
Tangible assets	9	<u>618</u>	<u>1,567</u>
<b>Current assets</b>			
Stocks	10	1,442	1,418
Debtors	11	<u>4,399</u>	<u>1,867</u>
		5,841	3,285
<b>Creditors: amounts falling due within one year</b>	12	<u>(3,974)</u>	<u>(3,898)</u>
<b>Net current assets/(liabilities)</b>		<u>1,867</u>	<u>(613)</u>
<b>Total assets less current liabilities</b>		<u>2,485</u>	<u>954</u>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(1,065)</u>	<u>(1,065)</u>
		<u>1,420</u>	<u>(111)</u>
<b>Capital and reserves</b>			
Called-up equity share capital	17	713	713
Profit and loss account	18	707	(824)
<b>Shareholders' funds/(deficit)</b>	19	<u>1,420</u>	<u>(111)</u>

These financial statements were approved by the directors and authorised for issue on 14 March 2008, and are signed on their behalf by

  
P L Joyce

  
S F Munday

## 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

	2007 £000	2006 £000
United Kingdom	3,932	4,599
Rest of Europe	5,350	4,186
North America	1,942	2,767
Rest of the World	105	192
	<u>11,329</u>	<u>11,744</u>

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

### 2 Other operating charges

	2007 £000	2006 £000
Distribution costs	1,008	962
Administrative expenses	802	775
	<u>1,810</u>	<u>1,737</u>

### 3 Operating (loss)/profit

Operating (loss)/profit is stated after charging

	2007 £000	2006 £000
Research and development expenditure written off	393	401
Depreciation of owned fixed assets	443	408
Auditor's remuneration - Audit of financial statements	17	16
	<u>853</u>	<u>825</u>

**4 Directors and employees**

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

	2007 No	2006 No
Production	164	179
Sales and distribution	8	7
Administration	7	7
	<u>179</u>	<u>193</u>

The aggregate payroll costs of the above were

	2007 £000	2006 £000
Wages and salaries	3,785	3,715
Social security costs	314	300
Other pension costs	192	192
	<u>4,291</u>	<u>4,207</u>

**5 Directors**

Remuneration in respect of directors was as follows

	2007 £000	2006 £000
Emoluments receivable	<u>277</u>	<u>246</u>

Emoluments of highest paid director

	2007 £000	2006 £000
Total emoluments (excluding pension contributions)	<u>91</u>	<u>90</u>

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

	2007 No	2006 No
Defined benefit schemes	<u>2</u>	<u>2</u>

**6 Profit on disposal of fixed assets**

	2007 £000	2006 £000
Profit on disposal of fixed assets	<u>1,804</u>	<u>—</u>

**7 Interest payable and similar charges**

	2007 £000	2006 £000
To group undertakings	70	107

**8 Taxation on ordinary activities**

(a) Analysis of charge in the year

	2007 £000	2006 £000
Current tax		
UK Corporation tax based on the results for the year at 30% (2006 - 30%)	9	-
Adjustment in respect of prior periods	2	331
<b>Total current tax</b>	<b>11</b>	<b>331</b>
Deferred tax		
Origination and reversal of timing differences	-	39
<b>Tax on profit on ordinary activities</b>	<b>11</b>	<b>370</b>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2006 - 30%)

	2007 £000	2006 £000
Profit on ordinary activities before taxation	1,542	221
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 30% (2006 - 30%)	463	66
Expenses not deductible for tax purposes	25	4
Depreciation for the period in excess of capital allowances	131	120
Profit on disposal of fixed assets	(541)	(1)
Adjustment in respect of prior periods	2	331
Utilisation of losses	(69)	(189)
<b>Total current tax (note 8(a))</b>	<b>11</b>	<b>331</b>

**9 Tangible fixed assets**

	Freehold Land & Buildings £000	Plant, Equipment and Vehicles £000	Total £000
Cost			
At 1 January 2007	800	7,838	8,638
Additions	–	91	91
Disposals	(800)	(2)	(802)
At 31 December 2007	<u>–</u>	<u>7,927</u>	<u>7,927</u>
Depreciation			
At 1 January 2007	192	6,879	7,071
Charge for the year	12	431	443
On disposals	(204)	(1)	(205)
At 31 December 2007	<u>–</u>	<u>7,309</u>	<u>7,309</u>
Net book value			
At 31 December 2007	<u>–</u>	<u>618</u>	<u>618</u>
At 31 December 2006	<u>608</u>	<u>959</u>	<u>1,567</u>

The net book value amount of freehold land and buildings included £nil (2006 - £200,000) in respect of land

**10 Stocks**

	2007 £000	2006 £000
Raw materials	584	586
Work in progress	197	197
Finished goods	661	635
	<u>1,442</u>	<u>1,418</u>

**11 Debtors**

	2007 £000	2006 £000
Trade debtors	1,741	1,648
Amounts owed by group undertakings	53	132
Corporation tax repayable	30	–
Prepayments and accrued income	2,575	87
	<u>4,399</u>	<u>1,867</u>

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

	2007 £000	2006 £000
Overdrafts	1,503	1,510
Trade creditors	710	732
Amounts owed to group undertakings	1,239	1,181
Corporation tax	–	270
Other taxation and social security	29	93
Accruals and deferred income	493	112
	<u>3,974</u>	<u>3,898</u>

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

	2007 £000	2006 £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 Derivatives**

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

	2007 £000	2006 £000
Forward exchange contracts	<u>69</u>	<u>94</u>

**15 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 2007 the amount thus guaranteed by the company was £5,863,000 (2006 - £nil)

**16 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 purchased goods and services valued at £nil (2006 - £813) 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 creditors is £nil (2006 - £nil)

**17 Share capital**

Authorised share capital

	2007 £000	2006 £000
2,852,500 Ordinary shares of £0.25 each	<u>713</u>	<u>713</u>

Allotted, called up and fully paid

	2007		2006	
	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>

**18 Reserves**

	Profit and loss account £000
At 1 January 2007	(824)
Profit for the year	1,531
At 31 December 2007	<u>707</u>

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

	2007 £000	2006 £000
Profit/(Loss) for the financial year	1,531	(149)
Opening shareholders' (deficit)/funds	(111)	38
Closing shareholders' funds/(deficit)	<u>1,420</u>	<u>(111)</u>

**20 Capital commitments**

Amounts contracted for but not provided in the financial statements amounted to £57,000  
 (2006 - £32,000)



## **21 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 2007.

The total contributions charged by the company in respect of the year ended 31 December 2007 were £192,000 (2006 - £192,000). 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 2007. The market value of the scheme assets at the year end was £291,115,000 and the present value of the scheme liabilities was £306,605,000.

## **22 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.