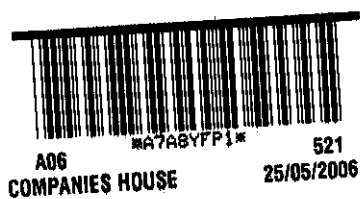


Crystalate Holdings Limited

Financial statements

For the year ended 31 December 2005

Grant Thornton 



Company No. 608030

Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2005.

Principal activities and business review

The company is an intermediate holding company.

The profit for the year after taxation amounted to £795,000 (2004 - restated £3,023,000).

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 recommended the following dividends:

	2005 £000	2004 £000
Dividends paid on ordinary shares	<u>1,013</u>	<u>3,302</u>

Dividends amounting to £1,013,000 (2004 - £3,302,000) representing 2.7p (2004 - 8.9p) per share have been declared and paid in the year.

Directors

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

J W Newman
R W Weaver
P Felbeck
M G Leigh

The company is a wholly owned subsidiary of TTI 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 2005		1 January 2005	
	Shares	Options	Shares	Options
M G Leigh	103,257	125,205	103,257	119,323
P Felbeck	—	63,742	—	54,716
	<u>103,257</u>	<u>188,947</u>	<u>103,257</u>	<u>174,039</u>

Share options are exercisable on or after:

	Number of options
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
25 May 2007 at 145.000p	29,033
7 April 2008 at 205.500p	21,106
	<u>188,947</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.

No director exercised share options during the year.

Parent undertaking funding

The parent undertaking has indicated its willingness to continue to provide financial support to the company.

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 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.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

United Kingdom 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 and of the profit or loss of the company for that year. 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.

Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

REGISTERED OFFICE:

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

BY ORDER OF THE BOARD



M G Leigh
Secretary
27 March 2006

Report of the independent auditor to the members of Crystalate Holdings Limited

We have audited the financial statements of Crystalate Holdings Limited for the year ended 31 December 2005 which comprise the principal accounting policies, profit and loss account, balance sheet, statement of total recognised gains and losses and notes 1 to 19. 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 applicable to small companies. We also report to you if, in our opinion, the Report of the Directors 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 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 Crystalate Holdings 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 2005 and of its profit for the year then ended; and

have been properly prepared in accordance with the Companies Act 1985.

GR Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

SHEFFIELD
27 March 2006

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 except as stated below.

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

FRS 17 'Retirement benefits'

The company has adopted FRS 17 'Retirement benefits' during the year. This represents a change in accounting policy and comparative figures have been restated accordingly. The affect of this adoption on reserves brought forward is a decrease of £806,000 as disclosed in note 6.

The presentation requirements of FRS 25 'Financial Instruments: Disclosure and Presentation'

The above accounting standard has become mandatory for companies for accounting periods beginning on or after 1 January 2005. Its adoption has had no material effect on the company, hence comparative figures have not been restated.

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.

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.

Investments

Investments are included at cost less amounts written off.

Consolidated financial statements

The company has taken advantage of the exemption permitted by Section 228 of the Companies Act 1985 and not produced consolidated financial statements as it is itself a wholly owned subsidiary.

Profit and loss account

	Note	2005 £000	2004 (restated) £000
Other operating charges	1	(410)	(505)
Operating loss		(410)	(505)
Income from shares in group undertakings		1,013	3,302
Interest receivable	3	100	107
Profit on ordinary activities before taxation		703	2,904
Tax on profit on ordinary activities	4	92	119
Profit for the financial year	16	795	3,023

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

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	2005 £000	2004 (restated) £000
Fixed assets			
Investments	7	15,208	15,208
Current assets			
Debtors	8	398	318
Investments	10	3	3
Cash at bank		2,567	2,860
		2,968	3,181
Creditors: amounts falling due within one year	11	(1,042)	(1,037)
Net current assets		1,926	2,144
Total assets less current liabilities		17,134	17,352
Capital and reserves			
Called-up equity share capital	15	1,915	1,915
Share premium account	16	9,092	9,092
Profit and loss account	16	6,127	6,345
Shareholders' funds	17	17,134	17,352

These financial statements were approved by the directors on 27 March 2006 and are signed on their behalf by:



R W Weaver



M G Leigh

Other primary statements

Statement of total recognised gains and losses

	2005	2004 (restated)
	£000	£000
Profit for the financial year	795	3,023
Total recognised gains and losses for the year	<u>795</u>	<u>3,023</u>
Prior year adjustment (see note 6)	<u>(806)</u>	
Total gains and losses recognised since the last financial statements	<u>(11)</u>	

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Other operating charges

	2005	2004 (restated)
	£000	£000
Administrative expenses	<u>410</u>	<u>505</u>

2 Directors and employees

No salaries or wages have been paid to employees, including the directors, during the year.

3 Interest receivable

	2005	2004 (restated)
	£000	£000
Interest from group undertakings	<u>100</u>	<u>107</u>

4 Taxation on ordinary activities

(a) Analysis of charge in the year

	2005	2004 (restated)
	£000	£000
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2004 - 30%)	<u>(101)</u>	<u>(100)</u>
Total current tax	<u>(101)</u>	<u>(100)</u>
Deferred tax:		
Origination and reversal of timing differences	<u>9</u>	<u>(19)</u>
Tax on profit on ordinary activities	<u>(92)</u>	<u>(119)</u>

4 Taxation on ordinary activities (continued)

(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% (2004 - 30%).

	2005 £000	2004 (restated) £000
Profit on ordinary activities before taxation	703	2,904
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2004 - 30%)	211	871
Short term timing differences	(8)	19
Dividend income	(304)	(990)
Total current tax (note 4(a))	(101)	(100)

5 Dividends

	2005 £000	2004 (restated) £000
Paid during the year		
Equity dividends on ordinary shares	1,013	3,302

6 Prior year adjustment

The company has implemented FRS 17 "Retirement Benefits" during the year. This has resulted in a prior period adjustment to write back balances recognised in the superseded accounting standard SSAP 24. This has decreased opening reserves in 2004 by £878,000 and increased previously reported profits in 2004 by £72,000 after tax. The affect on the current period, as reflected in the statement of total recognised gains and losses, is decrease a in opening shareholders funds of £806,000.

7 Investments

Investments in subsidiary undertakings

	Shares in group undertakings £000
Cost and net book value At 1 January 2005 and 31 December 2005	15,208

7 Investments (continued)

The directly and wholly owned trading subsidiaries of the company are:

	Country of incorporation and operation	Holding	Proportion held	Nature of business
Crystalate Electronics Limited	England and Wales	Ordinary shares	100%	Electronic Products
Crystalate Services Limited	England and Wales	Ordinary shares	100%	Holding company
BI Technologies Limited	England and Wales	Ordinary shares	100%	Electronic Products

8 Debtors

	2005 £000	2004 (restated) £000
Amounts owed by group undertakings	40	100
Corporation tax repayable	201	41
Other debtors (including pension prepayment)	—	7
Other debtors	5	—
Prepayments and accrued income	144	153
Deferred taxation (note 9)	8	17
	<u>398</u>	<u>318</u>

9 Deferred taxation

The deferred tax included in the Balance sheet is as follows:

	2005 £000	2004 (restated) £000
Included in debtors (note 8)	<u>8</u>	<u>17</u>

The movement in the deferred taxation account during the year was:

	2005 £000	2004 (restated) £000
Balance brought forward	17	(2)
Profit and loss account movement arising during the year	(9)	19
Balance carried forward	<u>8</u>	<u>17</u>

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

	2005 £000	2004 (restated) £000
Other timing differences	8	17

10 Investments

	2005 £000	2004 (restated) £000
Overseas listed investments	3	3

11 Creditors: amounts falling due within one year

	2005 £000	2004 (restated) £000
Amounts owed to group undertakings	842	795
Accruals and deferred income	200	242
	<u>1,042</u>	<u>1,037</u>

12 Derivatives

There were no derivatives held by the company at 31 December 2005 or 31 December 2004 not recognised in the financial statements.

13 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 2005 the amount thus guaranteed by the company was £nil (2004 - £9,499,000).

14 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.

15 Share capital

Authorised share capital:

	2005	2004 (restated)
	£000	£000
44,000,000 Ordinary shares of £0.05 each	2,200	2,200
150,000 5.6% non-cumulative preference shares of £0.50 each	75	75
	<u>2,275</u>	<u>2,275</u>

Allotted, called up and fully paid:

	2005		2004	
	No	£000	No	£000
Ordinary shares of £0.05 each	36,794,567	1,840	36,794,567	1,840
5.6% non-cumulative preference shares of £0.50 each	150,000	75	150,000	75
	<u>36,944,567</u>	<u>1,915</u>	<u>36,944,567</u>	<u>1,915</u>

The preference shares rank pari passu with the ordinary shares for dividends. On winding up, the preference shareholders are entitled to receive the par value of their paid up shares in priority to the ordinary shareholders.

The preference shares are owned by TT electronics plc who have waived their rights to preference dividends, and their preference rights on winding up.

16 Reserves

	Share premium account £000	Profit and loss account (restated) £000
At 1 January 2005, as previously reported	9,092	7,151
Prior year adjustment (note 6)	—	(806)
Restated balance as at 1 January 2005	<u>9,092</u>	<u>6,345</u>
Profit for the year	—	795
Equity dividends	—	(1,013)
At 31 December 2005	<u>9,092</u>	<u>6,127</u>

17 Reconciliation of movements in shareholders' funds

	2005	2004 (restated)
	£000	£000
Profit for the financial year	795	3,023
Equity dividends paid	(1,013)	(3,302)
Net reduction to shareholders' funds	(218)	(279)
Opening shareholders' funds as previously reported	18,158	18,509
Prior year adjustment (see note 6)	(806)	(878)
Closing shareholders' funds	17,134	17,352

18 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.

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 to assess the liabilities of the scheme at 31 December 2005.

The total contributions charged by the company in respect of the year ended 31 December 2005 were £410,000 (2004 - £608,000). 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 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 2005. The market value of the scheme assets at the year end was £69,652,000 and the present value of the scheme liabilities was £89,182,000.

19 Ultimate parent company

TT electronics plc 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.