

ARTHUR
ANDERSEN

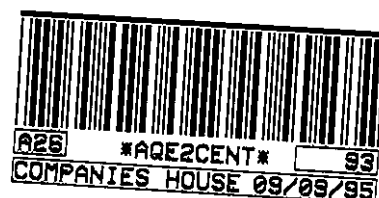
ARTHUR ANDERSEN & CO. SC

Senior Flexonics Automotive Limited

Accounts 31 December 1994

together with directors' and auditors' reports

Registered number: 1928053



Directors' report

For the year ended 31 December 1994

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1994.

Principal activity and business review

The principal activity of the company is the manufacture of flexible tubing and manipulated tubing for the automotive industry.

With effect from 1 January 1994, the trade and net assets of the Tube Components Division (formerly Tube Product Manipulations Division) were transferred to the company from another group undertaking at their net book value (see note 16).

Turnover for the year was £22,880,000 including turnover in respect of acquisitions of £10,950,000 (1993 - £7,084,000) and the operating profit was £351,000, including £755,000 in respect of acquisitions (1993 - loss £666,000).

Results and dividends

Results for the year were as follows:

	£'000
Accumulated deficit at 1 January 1994	(904)
Retained profit for the financial year	209
Accumulated deficit at 31 December 1994	<u>(695)</u>

No dividend can be paid.

Directors and their interests

The directors who served during the year are as shown below:

N V Turnbull - Chairman

S J Perkins

D G Keen

P J Groom

J R McAleer (resigned 26 January 1994)

Directors' report (continued)

Directors and their interests (continued)

The directors who served at the end of the year, other than those who were also directors of the ultimate holding company, held the following beneficial interests in the 10p ordinary shares and loan stock of Senior Engineering Group plc:

	Options			Loan stock	
	1993	Granted	Exercised	1993	1994
P J Groom	22,596	-	-	200,000	-

Options to subscribe for shares were granted:

Date of grant	Subscription price
30 September 1987	62.046)
10 May 1989	62.946) as adjusted
17 October 1989	50.582)
7 May 1992	78.366)
3 September 1993	117.306)
3 May 1994	142.500)

The subscription prices and numbers of shares have been adjusted to reflect the dilution effects of the Rights Issues in 1989, 1992 and 1994.

P.J. Groom disposed of £200,000 of Group Loan stock in June 1994.

The directors had no other interests requiring to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' responsibilities

Company law requires the directors to prepare accounts 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 period. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' report (continued)

Directors' responsibilities (continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

Fixed assets

Information relating to changes in tangible fixed assets is given in note 8 to the accounts.

Employee consultation

Formal and informal meetings are held with employees at the company, and employees are kept informed of developments within the company and group, and matters affecting them at their place of employment

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of the other employees.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Hertford Road
Waltham Cross
Hertfordshire
EN8 7TD

By order of the Board,



D B Butler

Secretary

20 March 1995

Auditors' report

Birmingham

To the Shareholders of Senior Flexonics Automotive Limited:

We have audited the accounts on pages 5 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on pages 2 and 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

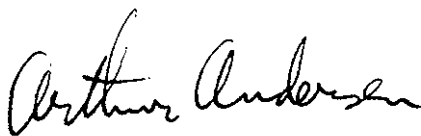
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

1 Victoria Square
Birmingham
B1 1BD

20 March 1995

Profit and loss account

For the year ended 31 December 1994

	Notes	1994 £'000	1993 £'000
Turnover			
Continuing operations		11,930	7,084
Acquisitions		10,950	-
	2	<u>22,880</u>	<u>7,084</u>
Cost of sales	3	(19,283)	(6,303)
Gross profit		<u>3,597</u>	<u>781</u>
Other operating expenses (net)	3	(3,246)	(1,447)
Operating profit (loss)			
Continuing operations		(404)	(666)
Acquisitions		755	-
		<u>351</u>	<u>(666)</u>
Interest payable and similar charges	4	(295)	(136)
Profit (loss) on ordinary activities before taxation	5	<u>56</u>	<u>(802)</u>
Taxation on profit (loss) on ordinary activities	7	153	308
Profit (loss) for the financial year		<u>209</u>	<u>(494)</u>
Accumulated deficit, beginning of year		<u>(904)</u>	<u>(410)</u>
Accumulated deficit, end of year		<u>(695)</u>	<u>(904)</u>

The accompanying notes are an integral part of this profit and loss account.

There were no recognised gains or losses other than the profit (loss) for the year.

Balance sheet

31 December 1994

	Notes	1994 £'000	1993 £'000
Fixed assets			
Tangible assets	8	6,269	3,367
Current assets			
Stocks	9	1,874	1,031
Debtors	10	6,242	2,515
Cash at bank and in hand		537	523
		8,653	4,069
Creditors: Amounts falling due within one year	11	(7,402)	(2,559)
Net current assets		1,251	1,510
Total assets less current liabilities		7,520	4,877
Creditors: Amounts falling due after more than one year	12	(6,708)	(4,505)
Provisions for liabilities and charges	13	(507)	(276)
Net assets		305	96
Capital and reserves			
Called-up share capital	14	1,000	1,000
Profit and loss account		(695)	(904)
Shareholders' funds, all equity	15	305	96

Signed on behalf of the Board

N V Turnbull

Director

D G Keen

Director

20 March 1995

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

For the year ended 31 December 1994

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Tangible fixed assets

Fixed assets are shown at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold buildings	-	50 years
Short leasehold buildings	-	Over the period of the lease
Plant, machinery and equipment	-	Over a maximum of 10 years

Freehold land is not depreciated.

c) Stocks

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

Cost incurred in bringing each product to its present location and condition is based on:

Raw materials	-	purchase cost on a first-in, first-out basis, including transport
Work-in-progress and finished goods	-	cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

The taxation liabilities of certain group undertakings are reduced wholly or in part by the surrender of losses by fellow group undertakings. The tax benefits arising from group relief are recognised in the accounts of the surrendering and recipient undertakings.

Notes to accounts (continued)

1 Accounting policies (continued)

d) *Taxation (continued)*

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal.

Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

e) *Pension costs*

During the year, the Senior Engineering Group altered its pension arrangements such that while the company's employees continue to be members of defined benefit pension schemes, the company now makes contributions at rates set by Senior Engineering Group plc on the advice of actuaries to discharge in full the company's pension obligations arising in the year. It is intended that the rates set will reflect regular cost. Accordingly, the amount charged to the profit and loss account is the contribution payable in the year, and any variations from this cost are reflected in the accounts of Senior Engineering Group plc.

Further information on pension costs is provided in note 6.

f) *Foreign currency*

Normal trading activities denominated in foreign currencies are recorded in sterling at the exchange rates as of the date of the transactions or, where appropriate, at the rate of exchange in a related forward exchange contract.

Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, where appropriate, at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

g) *Turnover*

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

h) *Leases*

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

i) *Cash flow statement*

No cash flow statement has been prepared as the company's ultimate parent company prepares a consolidated cash flow statement in accordance with Financial Reporting Standard No.1.

j) *Grant income*

Grant income of a revenue nature is credited to the profit and loss account when the conditions for payment of the grant have been met.

Notes to accounts (continued)

2 Segment information

The company's turnover and profit on ordinary activities before taxation were wholly attributable to the company's principal activity. Details of the acquisition of the Tube Components Division (formerly Tube Product Manipulations Division) are given in note 16.

The analysis of turnover by geographical area has been omitted.

3 Cost of sales and other operating expenses (net)

	1994 £'000	1993 £'000
Cost of sales	19,283	6,303
Other operating expenses (net)		
Distribution costs	458	226
Selling and marketing costs	1,509	846
Administrative expenses	1,879	975
Grant income receivable	(600)	(600)
	3,246	1,447

The amounts shown above for 1994 include the following relating to acquisitions: cost of sales £9,232,000, distribution costs £154,000, selling and marketing costs £249,000 and administrative expenses £560,000.

4 Interest payable and similar charges

	1994 £'000	1993 £'000
On loans from ultimate parent company (note 12)	295	136

Notes to accounts (continued)

5 Profit (loss) on ordinary activities before taxation

Profit (loss) on ordinary activities before taxation is stated after crediting:

	1994 £'000	1993 £'000
Grant income receivable	600	600
And after charging:		
Depreciation	752	294
Hire of plant and machinery		
- under operating leases	47	6
- other	8	7
Other operating lease rentals	414	325
Auditors' remuneration		
- audit services	20	13
- other services	3	4
Staff costs (note 6)	7,135	2,757

6 Staff costs

Particulars of employees (including executive directors) are as shown below:

	1994 £'000	1993 £'000
Employee costs during the year amounted to:		
Wages and salaries	6,260	2,488
Social security costs	559	234
Other pension costs	316	35
	7,135	2,757

The average weekly number of persons employed by the company during the year was as follows:

	1994 Number	1993 Number
Production	427	133
Distribution	4	4
Sales	36	18
Administration	58	18
	525	173

Notes to accounts (continued)

6 Staff costs (continued)

As explained in note 1, during the year the group altered its pension arrangements such that the company now contributes the regular cost of providing pension benefits for its employees to the group pension schemes. Any variation from this regular contribution is reflected in the accounts of the ultimate parent company, Senior Engineering Group plc.

The pension cost charge for the year was £316,000 (1993 - £35,000).

Further details of the group schemes and the actuarial valuations are given in the accounts of the company's ultimate parent company, Senior Engineering Group plc.

Directors' emoluments:

	1994 £'000	1993 £'000
Management remuneration (including pension contributions)	<u>140</u>	<u>46</u>

In addition the emoluments of certain directors, who are also directors of other group undertakings, were paid wholly by one of those other undertakings. It is not practicable in these cases to determine the proportion of such emoluments which are attributable to services to the company. However, the total emoluments for such directors are disclosed within the accounts of the relevant undertakings. The above figures for emoluments do not include any amount for the value of share options granted to or held by directors. Details of the options are given in the directors' report.

The directors' remuneration shown above (excluding pension contributions) includes:

	1994 £'000	1993 £'000
Chairman	<u>Nil</u>	<u>Nil</u>
Highest paid director	<u>68</u>	<u>37</u>

Directors received emoluments (excluding pension contributions) in the following ranges:

	1994 Number	1993 Number
Up to £5,000	3	6
£35,001 - £40,000	-	1
£45,001 - £50,000	1	-
£65,001 - £70,000	<u>1</u>	<u>-</u>

Notes to accounts (continued)

7 Taxation on profit (loss) on ordinary activities

The tax credit is based on the profit (loss) for the year and comprises:

	1994 £'000	1993 £'000
Corporation tax at 33%	314	593
Deferred tax arising from		
- capital allowances	(190)	(292)
- other timing differences	29	7
	<u>153</u>	<u>308</u>

8 Tangible fixed assets

The movement in the year was as follows:

	Freehold property £'000	Short leasehold buildings £'000	Plant, machinery and equipment £'000	Total £'000
Cost				
Beginning of year	-	603	4,383	4,986
Additions	63	-	2,207	2,270
Transfers between group undertakings	467	-	2,347	2,814
Disposals	-	-	(305)	(305)
End of year	<u>530</u>	<u>603</u>	<u>8,632</u>	<u>9,765</u>
Depreciation				
Beginning of year	-	105	1,514	1,619
Charge	6	30	716	752
Transfers between group undertakings	18	-	1,248	1,266
Disposals	-	-	(141)	(141)
End of year	<u>24</u>	<u>135</u>	<u>3,337</u>	<u>3,496</u>
Net book value				
Beginning of year	-	498	2,869	3,367
End of year	<u>506</u>	<u>468</u>	<u>5,295</u>	<u>6,269</u>

Freehold land of £220,000 (1993 - £nil) included in the above is not depreciated.

Notes to accounts (continued)

9 Stocks

The following are included in the net book value of stocks:

	1994 £'000	1993 £'000
Raw materials and consumables	1,267	648
Work-in-progress	471	100
Finished goods and goods for resale	136	283
	<u>1,874</u>	<u>1,031</u>

In the directors' opinion, there is no material difference between the balance sheet value and the replacement cost of stocks at the balance sheet date.

10 Debtors

The following are included in the net book value of debtors, all falling due within one year:

	1994 £'000	1993 £'000
Trade debtors	4,226	1,599
Amounts owed by other group undertakings	822	109
VAT	125	69
Corporation tax recoverable	205	593
Prepayments and accrued income	264	145
Other debtors	600	-
	<u>6,242</u>	<u>2,515</u>

Notes to accounts (continued)

11 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	1994 £'000	1993 £'000
Bank overdraft	2,474	-
Trade creditors	2,917	1,261
Amounts owed to other group undertakings	1,300	1,041
Social security and PAYE	201	70
Accruals and deferred income	245	187
VAT	265	-
	<u>7,402</u>	<u>2,559</u>

12 Creditors: Amounts falling due after more than one year

The following amounts are included in creditors falling due after more than one year:

	1994 £'000	1993 £'000
Unsecured amounts owed to ultimate parent company	6,708	4,336
Unsecured, interest free amounts owed to other group undertakings	-	169
	<u>6,708</u>	<u>4,505</u>

The ultimate parent company has indicated no intention to call in the loans within one year, therefore the balances have been treated as non-current liabilities.

The loans from the ultimate parent company bear interest at commercial rates.

13 Provisions for liabilities and charges

This comprises deferred taxation arising from:

	1994 £'000	1993 £'000
Excess of tax allowances over book depreciation of fixed assets	552	292
Other short term timing differences	(45)	(16)
	<u>507</u>	<u>276</u>

Notes to accounts (continued)

13 Provisions for liabilities and charges (continued)

The movement on deferred taxation comprises:

	1994 £'000	1993 £'000
Beginning of year	276	-
Charged to profit and loss account	161	285
Transfer (to) from other group undertakings	70	(170)
Transfer to ultimate parent company	-	161
End of year	<u>507</u>	<u>276</u>

There was no unprovided deferred taxation at either year end.

14 Called-up share capital

	1994 £'000	1993 £'000
<i>Authorised</i>		
800,000 A Ordinary shares of £1 each	800	800
200,000 B Ordinary shares of £1 each	200	200
	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called-up and fully-paid</i>		
800,000 A Ordinary shares of £1 each	800	800
200,000 B Ordinary shares of £1 each	200	200
	<u>1,000</u>	<u>1,000</u>

Under the company's Articles of Association each A ordinary share carries one vote, whilst each B ordinary share carries five votes.

15 Statement of movements in shareholders' funds

The movement in shareholders' funds was as follows:

	1994 £'000	1993 £'000
Shareholders' funds, beginning of year	96	590
Profit (loss) for the financial year	209	(494)
Shareholders' funds, end of year	<u>305</u>	<u>96</u>

Notes to accounts (continued)

16 Acquisition during the year

On 1 January 1994, the trade and net assets of the Tube Components Division (formerly Tube Product Manipulations Division) were transferred to the company from a fellow group undertaking at net book value. This division manufactures manipulated steel tube, primarily for the automotive industry, and is located in Oldbury, England.

The net assets transferred were as follows:

	£'000
Tangible fixed assets	1,580
Stocks	555
Debtors	1,674
Creditors	(3,208)
Net assets	<u>601</u>

The turnover and profit before taxation of the division for the year ended 31 December 1993 were £8,984,000 and £552,000 respectively.

17 Guarantees and other financial commitments

a) Capital commitments

At the end of the year, capital commitments were as follows:

	1994 £'000	1993 £'000
Contracted for but not provided for	415	442
Authorised but not contracted for	<u>218</u>	<u>655</u>
	<u>633</u>	<u>1,097</u>

Notes to accounts (continued)

17 Guarantees and other financial commitments (continued)

b) Lease commitments

Minimum annual rentals under operating leases are as follows:

	Property £'000	Plant and equipment £'000
1994		
Operating leases which expire		
- within 2 to 5 years	-	25
- after 5 years	495	12
	<u>495</u>	<u>37</u>
1993		
Operating leases which expire		
- after 5 years	417	11
	<u>417</u>	<u>11</u>

The company leases certain land and buildings under operating leases. The annual rental on these leases was £414,000 (1993: £325,000). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The company pays all insurance, maintenance and repairs of these properties.

c) With effect from 1 February 1994 the company became a cross guarantor with Senior Engineering Group plc of indebtedness to one of the group's bankers.

d) The company is a guarantor, jointly and severally, with certain other group undertakings of all indebtedness of these other group undertakings to one of the group's bankers.

18 Ultimate parent company

The company's immediate parent company is Senior Engineering Investments Limited a company registered in England.

The company's ultimate parent company, which prepares consolidated accounts incorporating the company's results, is Senior Engineering Group plc, a company registered in England, whose registered office is at Senior House, 59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH. The consolidated accounts of the group are available to the public and may be obtained from the aforementioned address.