

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & CO. SC

Senior Flexonics Automotive Limited

Accounts 31 December 1995

together with directors' and auditors' reports

Registered number: 1928053



Directors' report

For the year ended 31 December 1995

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 1995.

Principal activity and business review

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

Turnover for the year increased to £31,240,000 (1994: £22,880,000) and the operating profit to £1,204,000 (1994: £351,000).

Results and dividends

Results for the year were as follows:

	£'000
Accumulated deficit at 1 January 1995	(695)
Retained profit for the financial year	743
Retained profit at 31 December 1995	<u>48</u>

No dividend is proposed.

Directors and their interests

The directors who served during the year were:

N V Turnbull - Chairman

S J Perkins

D G Keen

P J Groom

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 of Senior Engineering Group plc:

	Options			1995
	1994	Granted	Exercised	
P J Groom	22,596	-	-	22,596

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 subsequent to the grant dates.

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

27 March 1996

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 1995 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

27 March 1996

Profit and loss account

For the year ended 31 December 1995

	Notes	1995 £'000	1994 £'000
Turnover	2	31,240	22,880
Cost of sales		(25,881)	(19,283)
Gross profit		<u>5,359</u>	<u>3,597</u>
Other operating expenses (net)	3	(4,155)	(3,246)
Operating profit		<u>1,204</u>	<u>351</u>
Interest payable and similar charges	4	(597)	(295)
Profit on ordinary activities before taxation	5	<u>607</u>	<u>56</u>
Taxation on profit on ordinary activities	7	136	153
Profit for the financial year		<u>743</u>	<u>209</u>
Accumulated deficit, beginning of year		(695)	(904)
Retained profit (accumulated deficit), end of year		<u>48</u>	<u>(695)</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 for the year.

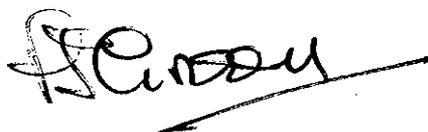
Balance sheet

31 December 1995

	Notes	1995 £'000	1994 £'000
Fixed assets			
Tangible assets	8	8,929	6,269
Current assets			
Stocks	9	2,600	1,874
Debtors	10	9,147	6,242
Cash at bank and in hand		235	537
		11,982	8,653
Creditors: Amounts falling due within one year	11	(12,995)	(7,402)
Net current (liabilities) assets		(1,013)	1,251
Total assets less current liabilities		7,916	7,520
Creditors: Amounts falling due after more than one year	12	(6,338)	(6,708)
Provisions for liabilities and charges	13	(530)	(507)
Net assets		1,048	305
Capital and reserves			
Called-up share capital	14	1,000	1,000
Profit and loss account	15	48	(695)
Shareholders' funds, all equity	16	1,048	305

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

Signed on behalf of the Board



P J Groom

Director

D G Keen



Director

27 March 1996

Notes to accounts

For the year ended 31 December 1995

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*

The company's employees are members of defined benefit pension schemes where the company 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 receipt 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.

The analysis of turnover by geographical area has been omitted.

3 Other operating expenses (net)

	1995 £'000	1994 £'000
Distribution costs	823	458
Selling and marketing costs	1,381	1,509
Administrative expenses	2,551	1,879
Grant income receivable	(600)	(600)
	<u>4,155</u>	<u>3,246</u>

4 Interest payable and similar charges

	1995 £'000	1994 £'000
On loans from ultimate parent company (note 12)	<u>597</u>	<u>295</u>

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after crediting:

	1995 £'000	1994 £'000
Grant income receivable	<u>600</u>	<u>600</u>
And after charging:		
Depreciation	970	752
Hire of plant and machinery		
- under operating leases	37	47
- other	16	8
Other operating lease rentals	493	414
Auditors' remuneration		
- audit services	18	20
- other services	1	3
Staff costs (note 6)	<u>9,424</u>	<u>7,135</u>

Notes to accounts (continued)

6 Staff costs

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

	1995 £'000	1994 £'000
Employee costs during the year amounted to:		
Wages and salaries	8,329	6,260
Social security costs	712	559
Other pension costs	383	316
	<u>9,424</u>	<u>7,135</u>

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

	1995 Number	1994 Number
Production	517	427
Distribution	6	4
Sales	39	36
Administration	29	58
	<u>591</u>	<u>525</u>

As explained in note 1, the company 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 £383,000 (1994 - £316,000). Outstanding contributions of £38,000 (1994 - £nil) at the end of the year are shown in the balance sheet within creditors falling due within one year.

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:

	1995 £'000	1994 £'000
Management remuneration (including pension contributions)	<u>147</u>	<u>140</u>

Notes to accounts (continued)

6 Staff costs (continued)

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:

	1995 £'000	1994 £'000
Chairman	<u>nil</u>	<u>nil</u>
Highest paid director	<u>87</u>	<u>68</u>

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

	1995 Number	1994 Number
Up to £5,000	2	3
£45,001 - £50,000	-	1
£60,001 - £65,000	1	-
£65,001 - £70,000	-	1
£70,001 - £75,000	<u>1</u>	<u>-</u>

Notes to accounts (continued)

7 Taxation on profit on ordinary activities

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

	1995 £'000	1994 £'000
Corporation tax at 33%	159	314
Deferred tax arising from		
- capital allowances	(57)	(190)
- other timing differences	34	29
	<u>136</u>	<u>153</u>

Had the company been providing in full for deferred tax the deferred tax charge for the year would have been £358,000 higher (1994 - £264,000 higher).

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	530	603	8,632	9,765
Additions	6	-	3,771	3,777
Disposals	-	-	(203)	(203)
End of year	<u>536</u>	<u>603</u>	<u>12,200</u>	<u>13,339</u>
Depreciation				
Beginning of year	24	135	3,337	3,496
Charge	11	30	929	970
Disposals	-	-	(56)	(56)
End of year	<u>35</u>	<u>165</u>	<u>4,210</u>	<u>4,410</u>
Net book value				
Beginning of year	<u>506</u>	<u>468</u>	<u>5,295</u>	<u>6,269</u>
End of year	<u>501</u>	<u>438</u>	<u>7,990</u>	<u>8,929</u>

Freehold land of £220,000 (1994 - £220,000) included in the above is not depreciated.

Notes to accounts (continued)

9 Stocks

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

	1995 £'000	1994 £'000
Raw materials and consumables	1,759	1,267
Work-in-progress	648	471
Finished goods and goods for resale	193	136
	<u>2,600</u>	<u>1,874</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:

	1995 £'000	1994 £'000
Trade debtors	7,452	4,226
Amounts owed by other group undertakings	224	822
Corporation tax recoverable	107	205
VAT	193	125
Other debtors	600	600
Prepayments and accrued income	571	264
	<u>9,147</u>	<u>6,242</u>

11 Creditors: Amounts falling due within one year

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

	1995 £'000	1994 £'000
Bank overdraft	7,412	2,474
Trade creditors	4,021	2,917
Amounts owed to other group undertakings	785	1,300
Social security and PAYE	285	201
VAT	320	265
Accruals and deferred income	172	245
	<u>12,995</u>	<u>7,402</u>

Notes to accounts (continued)

12 Creditors: Amounts falling due after more than one year

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

	1995 £'000	1994 £'000
Unsecured amounts owed to ultimate parent company	<u>6,338</u>	<u>6,708</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 provided arising from:

	1995 £'000	1994 £'000
Excess of tax allowances over book depreciation of fixed assets	609	552
Other short term timing differences	<u>(79)</u>	<u>(45)</u>
	<u>530</u>	<u>507</u>

Unprovided deferred taxation was as follows:

	1995 £'000	1994 £'000
Excess of tax allowances over book depreciation of fixed assets	<u>712</u>	<u>354</u>

The movement on deferred taxation comprises:

	1995 £'000	1994 £'000
Beginning of year	507	276
Charged to profit and loss account	23	161
Transfer from other group undertakings	-	70
End of year	<u>530</u>	<u>507</u>

Notes to accounts (continued)

14 Called-up share capital

	1995 £'000	1994 £'000
<i>Authorised, 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. The A and B shares rank equally in all other respects.

15 Reserves

	Profit and loss account £'000
Beginning of year	(695)
Retained profit for the year	743
End of year	<u>48</u>

16 Statement of movements in shareholders' funds

The movement in shareholders' funds was as follows:

	1995 £'000	1994 £'000
Shareholders' funds, beginning of year	305	96
Profit for the financial year	743	209
Shareholders' funds, end of year	<u>1,048</u>	<u>305</u>

17 Guarantees and other financial commitments

a) Capital commitments

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

	1995 £'000	1994 £'000
Contracted for but not provided for	1,218	415
Authorised but not contracted for	98	218
	<u>1,316</u>	<u>633</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
1995		
Operating leases which expire		
- within 2-5 years	-	22
- after 5 years	495	12
	<u>495</u>	<u>34</u>
1994		
Operating leases which expire		
- within 2 to 5 years	-	25
- after 5 years	495	12
	<u>495</u>	<u>37</u>

The company leases certain land and buildings under operating leases. 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) Revolving credit facility

The company is a guarantor, jointly and severally, with certain other group companies of a committed five year £52.5 million multi currency revolving credit facility for the group dated 10 July 1995. At 31 December 1995 the total sum borrowed under this facility was US\$60 million at variable interest rates.

d) Private placement loans

The company is a guarantor, jointly and severally, with certain other group companies, of US\$30 million (1994-US\$30 million) unsecured loan notes under amended and restated agreements dated 31 October 1995.

Notes to accounts (continued)

17 Guarantees and other financial commitments (continued)

e) Bank guarantees

The company is a guarantor, jointly and severally, with certain other group companies, of all indebtedness of these other group companies to two of the group's bankers.

The company is a guarantor, jointly and severally, with certain other group companies, of all indebtedness of Senior Engineering Investments Inc. (the Group's U.S. holding company) to one of its 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.