

IKEDA HOOVER LIMITED

Report of the directors
for the year ended 29 February 1988

1 The directors present herewith the audited accounts for the year ended 29 February 1988.

Principal activities

2 The main activities of the company for the year ended 29 February 1988 were those of a vehicle interior trim manufacturer.

Review of business and future developments

3 The level of business was higher than expected with the increased build, due to NMUK bringing forward their planned expansion. The directors expect that the level of activity will continue to grow significantly throughout the forthcoming year. However costs are expected to reduce with the implementation of material localisations.

A new factory is in the process of being constructed on land purchased adjacent to NMUK, with the proposed move for August 1988 still being forecast.

Dividends and reserves

4 The directors do not recommend the payment of a dividend for the period.

Fixed assets

5 The movements in fixed assets during the year are set out in note 8 to the accounts.

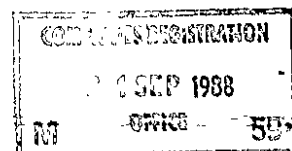
Directors

6 The directors of the company as at 29 February 1988 and during the year ended on that date were as follows.

H Ikeda	(Chairman)
R S Nickerson	
T Wakabayashi	
Dr R E Goodson	
J F Daly	- resigned 29 February 1988
S Hosoi	
R Miracle	- appointed 29 February 1988

Directors' interest in shares

7 According to the register required to be kept under Section 325 of the Companies Act 1985, no director held any interest in the shares of the company at any time during the year.



Close company provisions

8 As far as the directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988, do not apply to the company; there has been no change in this respect since the end of the financial year.

Auditors

9 A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

BY ORDER OF THE BOARD

Secretary



Report of the auditors to the members of
IKEDA HOOVER LIMITED

We have audited the accounts set out on pages 4 to 13 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 29 February 1988 and of its loss and source and application of funds for the year then ended and comply with the Companies Act 1985.

Coopers & Lybrand

Chartered Accountants
NEWCASTLE UPON TYNE

22 August 1988

IKEDA HOOVER LIMITED

Profit and loss account
for the year ended 29 February 1988

	<u>Notes</u>	<u>1988</u> £	<u>1987</u> £
Turnover	2	£15,761,528	£3,486,509
Loss on ordinary activities before taxation	3	(272,701)	(594,120)
Tax on loss on ordinary activities	7	-	-
Loss on ordinary activities after taxation		£(272,701)	£(594,120)

STATEMENT OF ACCUMULATED LOSSES

Accumulated losses at 1 March 1987	(524,120)	-
Loss for the financial year	(272,701)	(594,120)
Accumulated losses at 29 February 1988	£(866,821)	£(594,120)

The notes on pages 7 to 13 form part of these accounts.

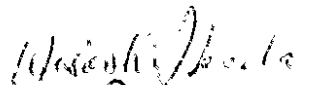

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IKEDA HOOVER LIMITED

Balance sheet - 29 February 1988

	Notes	1988 £	£	1987 £	£
FIXED ASSETS					
Tangible assets	8	3,287,053		713,617	
CURRENT ASSETS					
Stocks	9	2,570,001		1,697,199	
Debtors	10	3,479,196		1,077,062	
Cash at bank and in hand		300		771,300	
		6,049,497		3,545,561	
CREDITORS: amounts falling due within one year	11	7,912,571		2,571,898	
NET CURRENT (LIABILITIES)/ASSETS		(1,863,074)		973,663	
Total assets less current liabilities		1,423,979		1,687,280	
CREDITORS: amounts falling due after more than one year	12	1,675,000		1,675,000	
ACCRUALS AND DEFERRED INCOME	13	215,800		206,400	
		1,890,800		1,881,400	
		£(466,821)		£(194,120)	
CAPITAL AND RESERVES					
Called up share capital	15	400,000		400,000	
Profit and loss account		(866,821)		(594,120)	
		£(466,821)		£(194,120)	

These accounts were approved by the board on 22nd August 1988.

) Directors

The notes on pages 7 to 13 form part of these accounts.

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Statement of source and application of funds
for the year ended 29 February 1988

	<u>1988</u>	<u>1987</u>
	£	£
SOURCE OF FUNDS		
Loss on ordinary activities before taxation	(272,701)	(594,120)
Adjustments for items not involving movement of funds:		
Depreciation	209,611	78,032
Government grants released	(51,600)	(51,600)
Profit on sale of fixed assets	(170)	-
	<u>157,841</u>	<u>26,432</u>
Total from operations	(114,860)	(567,688)
Funds from other sources:		
Issue of share capital	-	400,000
Government grants receivable	61,000	258,000
Loan from parent consortium companies	-	1,675,000
Sale of fixed assets	1,180	-
	<u>62,180</u>	<u>2,333,000</u>
Total source of funds	(52,680)	1,765,312
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	(2,784,057)	(791,649)
(DECREASE)/INCREASE IN WORKING CAPITAL	<u>£(2,836,737)</u>	<u>£973,663</u>
Made up as follows:		
Increase in stocks	872,802	1,697,199
Increase in debtors	2,402,134	1,077,062
Increase in creditors falling due within one year, excluding bank overdraft and taxation	(3,895,961)	(2,516,523)
	<u>(621,025)</u>	<u>257,738</u>
Movement in net liquid funds:		
Cash at bank and in hand	(771,000)	771,300
Bank overdraft	(1,444,712)	(55,375)
	<u>(2,215,712)</u>	<u>715,925</u>
	<u>£(2,836,737)</u>	<u>£973,663</u>

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Notes to the accounts - 29 February 1988Principal accounting policies

1 The accounts are prepared in accordance with the historical cost convention. A summary of the more important accounting policies of the company, which have been applied consistently, is set out below.

(a) Tangible fixed assets

All tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition.

Provision for depreciation is made so as to write off the cost valuation of tangible fixed assets on a straight line basis over the expected useful economic life of the assets concerned. The principal annual rates used for this purpose are:-

	%
Short leasehold	20
Plant and machinery - test equipment	10
- others	20
Fixtures and fittings	20
Office equipment	10
Computer equipment	33.33
Motor vehicles	33.33

(b) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general cost is determined on a first in first out basis and includes transport and handling costs; in the case of manufactured products cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolete, slow moving and defective stocks.

(c) Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable items. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the accounts. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise. Where this is not known the latest estimate of the long term tax rate applicable has been adopted. The amount of unprovided deferred tax is calculated at the best estimate of corporation tax rates in the longer term and is analysed into its major components.

Notes to the accounts - 29 February 1988 continued(d) Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Exchange gains or losses are included in the profit and loss account.

(e) Government grants

Government grants made for the purchase of tangible fixed assets are credited to revenue over the expected useful life of the assets by treating the amount of the grant as a deferred credit, a portion of which is transferred to revenue annually.

(f) Pension arrangements

The company funds pension liabilities on the advice of external actuaries by payments made to an externally managed pension fund. Payments made to the fund and charged in the accounts comprise current and past service liabilities. The fund is actuarially valued every three years.

Turnover

2 The geographical analysis of turnover is as follows:-

	<u>1988</u>	<u>1987</u>
United Kingdom	£15,761,528	£3,486,509

Loss on ordinary activities before taxation

	<u>1988</u> £	<u>1987</u> £
3		
Turnover (see note 2)	15,761,528	3,486,509
Cost of sales	(14,509,011)	(3,474,648)
Gross profit	1,252,517	11,861
Distribution costs	(38,546)	(9,447)
Administrative costs	(1,542,993)	(685,989)
Other operating income	51,600	51,600
Operating loss (see note 4)	(277,422)	(631,975)
Other interest receivable and similar income	31,594	39,038
Interest payable and similar charges		
Bank overdraft	(25,666)	(1,183)
Other	(1,207)	-
Loss on ordinary activities before taxation	£(272,701)	£(594,120)

Notes to the accounts - 29 February 1988 continued

Operating loss

4 Operating loss is stated after charging:-

	<u>1988</u>	<u>1987</u>
	£	£
Auditors' remuneration	7,500	2,750
Hire of plant and machinery	16,295	2,319
Depreciation of tangible fixed assets	209,611	78,032
Directors' emoluments (see note 5)	29,126	13,940
Lease of motor car	-	12,473

Directors' emoluments

5(a) Directors' emoluments comprise emoluments (including pension contributions) for management services.

(b) Particulars of directors' emoluments (excluding pension contributions), disclosed in accordance with Schedule 5 of the Companies Act 1985, are as follows:-

	<u>1988</u>	<u>1987</u>
	£NIL	£NIL
Emoluments of the chairman	£NIL	£NIL
Emoluments of the highest paid director	£29,126	£13,940
Number of directors (including those above) whose emoluments were within the ranges:-		
£NIL to £5,000	6	6
£10,001 to £15,000	-	1
£25,001 to £30,000	1	-

Employee information

6(a) The average number of persons employed by the company (including executive directors) during the period is analysed below:-

	<u>1988</u>	<u>1987</u>
Production	115	29
Selling and distribution	2	2
Administration	17	7
	<u>134</u>	<u>38</u>

Notes to the accounts - 29 February 1988 continued

(b) Employment costs of all employees included above:-

	<u>1988</u> £	<u>1987</u> £
Gross wages and salaries	1,353,334	345,497
Employers' national insurance and state pension contributions	120,294	34,782
Employers' pension contributions	48,351	-
	<u>£1,521,979</u>	<u>£380,279</u>

Tax on loss on ordinary activities

7 No provision for corporation tax is required for the period as the company has corporation tax losses of approximately £1,080,000 (1987:£776,000) which are available to be carried forward and set off against future profits of the company's trade. Of these losses £150,000 (1987:£80,000), which at a rate of corporation tax of 35% amount to £52,500 (1987:£28,000), have been utilised in these accounts against the provision for deferred taxation (note 14).

Tangible fixed assets

8

	Freehold land	Short Leasehold Buildings	Plant and Machinery	Motor vehicles	Office equipment	Fixtures and fittings	Computer equipment	Assets in Course of construction	Total
	£	£	£	£	£	£	£	£	£
Cost									
At 1 March 1987	-	15,494	648,886	78,644	23,923	16,810	7,892	-	791,649
Adjustments	-	(3,706)	2,897	-	-	(2,897)	-	-	(3,706)
Additions	638,726	-	322,243	54,011	29,311	12,288	73,004	1,658,180	2,737,763
Disposals	-	-	(1,193)	-	-	-	-	-	(1,193)
At 29 February 1988	638,726	11,788	972,833	132,655	53,234	26,201	80,896	1,658,180	3,574,513
Depreciation									
At 1 March 1987	-	1,549	57,697	14,883	1,196	1,391	1,316	-	78,032
Disposals	-	-	(183)	-	-	-	-	-	(183)
Charge	-	1,987	151,563	34,316	3,512	3,834	14,399	-	209,611
At 29 February 1988	-	3,536	209,077	49,199	4,708	5,225	15,715	-	287,460
Net book value at 29 February 1988	£638,726	£8,252	£763,756	£83,456	£48,526	£20,976	£65,181	£1,658,180	£3,287,053
Net book value at 28 February 1987	£ -	£13,945	£591,189	£63,761	£22,727	£15,419	£6,576	£ -	£713,617

Notes to the accounts - 29 February 1988 continued

Stocks

9	<u>1988</u> £	<u>1987</u> £
Raw materials and consumables	1,248,872	684,234
Goods in transit	1,311,376	942,816
Work in progress	-	46,735
Finished goods and goods for resale	9,751	23,414
	<u>£2,570,001</u>	<u>£1,697,199</u>

The directors do not consider that there is a material difference between the value of stocks included in the accounts and the value of stocks at replacement cost.

Debtors

10	<u>1988</u> £	<u>1987</u> £
Trade debtors	4,135	3,275
Amounts owed by related companies	3,375,393	842,776
Other debtors	124,060	215,067
Prepayments and accrued income	16,423	15,944
Amounts owed by consortium companies	9,185	-
	<u>£3,479,196</u>	<u>£1,077,062</u>

All the above amounts are due within one year of the balance sheet date.

Creditors: amounts falling due within one year

11	<u>1988</u> £	<u>1987</u> £
Bank overdraft	1,500,087	55,375
Trade creditors	1,160,285	290,352
Amounts owed to related companies	1,448,850	43,878
Bills of exchange payable to related companies (see (a) below)	2,003,513	1,900,276
Amounts owed to parent consortium companies	301,795	120,455
Other creditors	87,490	23,997
Taxation and social security	139,502	37,339
Accruals and deferred income	521,049	99,226
Short term loan (see (b) below)	750,000	-
	<u>£7,912,571</u>	<u>£2,571,898</u>

(a) The bills of exchange payable are in Japanese yen and have been translated at the accounting date exchange rate.

(b) The loan is guaranteed by Ikeda Bussan, a consortium company.

Notes to the accounts - 29 February 1988 continued

Creditors: amounts falling due after more than one year

12	<u>1988</u>	<u>1987</u>
Loans from parent consortium companies	£1,675,000	£1,675,000

The loans from the parent consortium companies are interest free and are repayable on 28 February 1991.

Accruals and deferred income

13 Movements on the deferred credit for regional development grants are as follows:-

	<u>1988</u> £	<u>1987</u> £
Grants receivable	319,000	258,000
Released to the profit and loss account	(103,200)	(51,600)
Balance at 29 February 1988	<u>£215,800</u>	<u>£206,400</u>

Provisions for liabilities and charges

14 Deferred taxation:-

	<u>1988</u>		<u>1987</u>	
	<u>Provision made</u> £	<u>Full potential liability</u> £	<u>Provision made</u> £	<u>Full potential liability</u> £
Accelerated capital allowances	70,000	70,000	28,000	28,000
Less: Other timing differences	(17,500)	(17,500)	-	-
Losses carried forward	(52,500)	(52,500)	(28,000)	(28,000)
	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>

IKEDA HOOVER LIMITEDNotes to the accounts - 29 February 1988 continuedCalled up share capital

15

Authorised, issued, called up and fully paid ordinary shares of £1 each	<u>1988</u>		<u>1987</u>	
	<u>'A' shares</u>	<u>'B' shares</u>	<u>'A' shares</u>	<u>'B' shares</u>
Number	204,000	196,000	204,000	196,000
Value	£204,000	£196,000	£204,000	£196,000

Commitments and contingent liabilities16(a) Capital expenditure

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Expenditure contracted for	2,994,356	6,390
Expenditure authorised by directors but not yet contracted for	1,001,981	153,175
	<u>£3,996,337</u>	<u>£159,565</u>

(b) Contingent liabilities

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Bonds in favour of H M Customs & Excise	<u>£200,000</u>	<u>£150,000</u>

Ultimate holding company

17 Shares in Ikeda Hoover Limited are held under a joint venture agreement between Ikeda Bussan Company Limited, a company incorporated in Japan, and Hoover Universal (UK) Limited, a company incorporated in Great Britain.

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