

**Annual report
for the year ended 31 December 1993**

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Directors and advisers

Directors

J Barth
S J Lang (Managing Director)
M Nagakura (Chairman)
J Ide
J McDonough
T Wakabayashi

Secretaries and registered office

D Morrison
Cherry Blossom Way
Sunderland
Tyne & Wear
SR5 3TW

Registered auditors

Coopers & Lybrand
Hadrian House
Higham Place
Newcastle upon Tyne
NE1 8FP

Solicitors

Dickinson Dees
Cross House
Westgate Road
Newcastle upon Tyne
NE99 1SB

Bankers

Midland Bank plc
Washington Branch
17 Speculation Place
Washington
Tyne & Wear
NE37 2AN

Directors' report for the year ended 31 December 1993

The directors present their report and the audited financial statements for the year ended 31 December 1993.

Principal activity

The principal activity of the company is that of a vehicle seat and interior trim manufacturer.

Review of business and future developments

During the year, the company continued to manufacture for Nissan Motor Manufacturing (UK) Limited on the existing product lines. The current level of profitability is expected to continue though fluctuations in the size of market may occur.

The company is actively seeking other customers for production and design work.

Dividends and transfers to reserves

The directors recommend the payment of a dividend of £1,000,000. After payment of this dividend £1,462,780, the retained profit for the year, will be transferred to reserves.

Fixed assets

The movements in fixed assets during the year are set out in note 9 to the financial statements.

Research and development activities

The company is involved in research and development activities on behalf of its customers.

Directors

The directors of the company as at 31 December 1993 and during the year ended on that date were as follows:

J Barth	
S J Lang	(Managing Director)
M Nagakura	(Chairman)
J Ide	
J McDonough	
T Wakabayashi	

Directors' interests in shares of the company

No director held any interest in the shares of the company at any time during the year.

Employees

In the company's employee recruitment practices full consideration is given to job applications from disabled persons. Candidates are selected and appointed on the basis of their ability to perform the duties of the job. Encouragement is given in the training, career development and promotion of all employees according to the opportunities available, organisational requirements and individual aptitudes and abilities.

Any employee who becomes disabled is encouraged to remain in the company's employment, in the same job if this is practicable. If a change of job is necessary, such an employee is considered for any suitable alternative work which is available and any necessary training is arranged.

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees and a common awareness on the part of all employees of the financial and economic factors affecting the company's performance is given through the system of All Members Meetings.

Charitable donations

The company made charitable donations amounting to £3,830 in the year.

Directors' responsibilities

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 and loss of the company for that period. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Director's 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 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.


Taxation status

The company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

Auditors

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

By order of the board



Secretary
18 March 1994

**Report of the auditors to the members of
Ikeda Hoover Limited**

We have audited the financial statements on pages 6 to 20.

Respective responsibilities of directors and auditors

As described on page 3 and 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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.

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 of the state of the company's affairs at 31 December 1993 and of its profit, recognised gains and losses and cash flow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Cooper & Hybrand

Chartered Accountants and Registered Auditors
Newcastle upon Tyne
18 March 1994

Profit and loss account for the year ended 31 December 1993

	Notes	1993 £	1992 £
Turnover		64,177,413	56,867,760
Cost of sales		(56,717,439)	(49,477,015)
Gross profit		<u>7,459,974</u>	<u>7,390,745</u>
Other operating expenses	3	(3,579,831)	(3,519,614)
Operating profit		<u>3,880,143</u>	<u>3,871,131</u>
Interest receivable and similar income		62,359	68,859
Interest payable and similar charges	6	(81,029)	(444,610)
Profit on ordinary activities before taxation	7	<u>3,861,473</u>	<u>3,495,380</u>
Taxation	8	(1,398,693)	(770,700)
Profit on ordinary activities after taxation		<u>2,462,780</u>	<u>2,724,680</u>
Dividends	19	(1,000,000)	(1,000,000)
Profit retained for the year	20	<u><u>1,462,780</u></u>	<u><u>1,724,680</u></u>

All activities of the company are continuing.

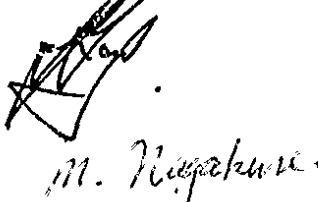
The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Balance sheet at 31 December 1993

	Notes	1993 £	1992 £
Fixed assets			
Tangible assets	9	9,111,009	10,132,009
Current assets			
Stocks	10	471,049	984,605
Debtors	11	3,280,232	7,121,250
Cash at bank and in hand		3,165,882	1,700
		6,917,163	8,107,555
Creditors: Amounts falling due within one year	12	8,823,411	12,830,104
Net current liabilities		(1,906,248)	(4,722,549)
Total assets less current liabilities		7,204,761	5,409,460
Creditors: Amounts falling due after more than one year	13	34,664	69,329
Provisions for liabilities and charges	15	491,889	386,000
Accruals and deferred income	16	1,250,831	989,534
Net assets		5,427,377	3,964,597
Capital and reserves			
Called-up share capital	18	2,075,000	2,075,000
Profit and loss account	20	3,352,377	1,889,597
		5,427,377	3,964,597

The financial statements on pages 6 to 20 were approved by the board of directors on 18 March 1994 and were signed on its behalf by:

 } Directors

**Cash flow statement
for the year ended 31 December 1993**

	Notes	1993 £	1992 £
Net cash inflow from operating activities	23	7,135,221	6,211,496
Returns on investments and servicing of finance			
Interest received		64,691	66,527
Interest paid		(58,715)	(420,630)
Interest paid on finance leases		(24,831)	(25,386)
Dividends paid		(1,000,000)	-
Net cash outflow from returns on investments and servicing of finance		(1,018,855)	(379,489)
Taxation			
UK corporation tax paid		(944,735)	(3,666)
Tax paid		(944,735)	(3,666)
Investment activities			
Purchase of tangible fixed assets		(1,025,651)	(3,210,352)
Sale of tangible fixed assets		22,465	1,034,732
Government grants received		619,711	190,894
Net cash outflow from investing activities		(383,475)	(1,984,726)
Net cash inflow before financing		4,788,156	3,843,615
Financing			
Payment of principal under finance leases		(95,231)	(95,230)
Net cash outflow from financing	25	(95,231)	(95,230)
Increase in cash and cash equivalents	24	4,692,925	3,748,385

Notes to the financial statements for the year ended 31 December 1993

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

(a) Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention.

(b) 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 of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold buildings	4
Plant and machinery	10 to 20
Fixtures and fittings, office equipment and computers	10 to 33.3
Motor vehicles	33.3

Freehold land and assets in the course of construction are not depreciated.

(c) Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Where fixed assets are financed by leasing agreements, which transfer to the company substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the estimated useful lives of equivalent owned assets.

(d) Government grants

Revenue grants are credited to the profit and loss account when received. Capital grants are credited to deferred income and released to the profit and loss account over the estimated useful lives of the qualifying assets.

(e) 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.

(f) 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.

(g) Research and development

Expenditure on research and development of new products is charged to the profit and loss account in the year in which it is incurred.

(h) Turnover

Turnover represents the amounts derived from the provision of goods and services to United Kingdom customers after deduction of trade discounts and value added tax.

(i) Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

(j) Pension costs

The company funds pension liabilities on the advice of external actuaries by payments made to an externally managed pension fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The fund is actuarially valued every three years.

2 Related party transactions

Substantially all the company's turnover is derived from a single customer, Nissan Motor Manufacturing UK Limited, which is a related company. An amount of £2,989,640 owed from this company is included within amounts owed from joint venture parents and related companies.

3 Other operating expenses

	1993 £	1992 £
Distribution costs	287,484	223,266
Administrative expenses	3,650,761	3,524,766
	<u>3,938,245</u>	<u>3,748,032</u>
Less: other operating income	(358,414)	(228,418)
	<u><u>3,579,831</u></u>	<u><u>3,519,614</u></u>

4 Directors' emoluments

Directors' emoluments comprise emoluments (including pension contributions) for management services and are disclosed in note 6.

Emoluments (excluding pension contributions) include amounts paid to:

	1993	1992
The chairman	<u>£Nil</u>	<u>£Nil</u>
The highest-paid director	<u><u>£47,067</u></u>	<u><u>£72,013</u></u>

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1993 Number	1992 Number
£0 to £5,000	4	6
£25,001 to £30,000	-	1
£30,001 to £35,000	-	1
£40,001 to £45,000	1	-
£45,001 to £50,000	1	-
£70,001 to £75,000	-	1
	<u><u> </u></u>	<u><u> </u></u>

5 Employee information

The average number of persons (including executive directors) employed during the year was:

	1993 Number	1992 Number
Production	444	424
Selling and distribution	8	7
Administration	82	81
	<u>534</u>	<u>512</u>

Included in the figures above are 34 persons (1992: 42) employed on a temporary basis.

	1993 £	1992 £
Staff costs (for the above persons):		
Wages and salaries	8,470,603	7,730,985
Social security costs	685,033	635,797
Other pension costs (note 16)	553,453	701,296
	<u>9,709,089</u>	<u>9,068,078</u>

6 Interest payable and similar charges

	1993 £	1992 £
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	56,715	421,130
Payable on finance leases	24,314	23,480
	<u>81,029</u>	<u>444,610</u>

7 Profit on ordinary activities before taxation

	1993 £	1992 £
Profit on ordinary activities before taxation is stated after crediting:		
Amortisation of government grants	358,414	228,418
Profit on disposal of fixed assets	11,420	12,929
	<u> </u>	<u> </u>
And after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	1,750,241	1,444,748
Assets held under finance leases	95,231	95,231
Auditors' remuneration in respect of:		
Audit	18,500	18,250
Other services	40,114	20,730
Hire of plant and machinery	29,089	37,121
Directors' emoluments including pension contributions (note 3)	89,448	142,235
	<u> </u>	<u> </u>

8 Taxation

	1993 £	1992 £
UK corporation tax at 33% (1992: 33%)		
Current	1,433,267	675,000
Deferred	(6,808)	101,475
Over-provision in respect of prior years:		
Current	(20,588)	(5,775)
Deferred	(7,178)	-
	<u> </u>	<u> </u>
	1,398,693	770,700
	<u> </u>	<u> </u>

Ikeda Hoover Limited

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9 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Motor vehicles	Fixtures and fittings, office equipment and computers	Assets in the course of construction	Total
Cost	£	£	£	£	£	£
At 1 January 1993	3,459,261	10,632,968	443,305	923,242	46,372	15,505,148
Additions	-	715,836	69,831	49,806	-	835,517
Disposals	-	(25,699)	(75,456)	(60,556)	-	(162,612)
Reclassifications	-	45,372	-	-	(46,372)	-
At 31 December 1993	3,459,261	11,368,630	437,680	912,492	-	16,178,053
Depreciation						
At 1 January 1993	477,756	4,135,900	169,452	592,022	-	5,373,139
Eliminated in respect of disposals	-	(21,200)	(65,970)	(60,308)	-	(151,567)
Charge for year	115,142	1,445,777	140,418	144,295	-	1,845,472
At 31 December 1993	592,898	5,554,237	243,900	676,009	-	7,067,044
Net book value						
At 31 December 1993	2,866,363	5,814,383	193,780	236,483	-	9,111,009
Net book value						
At 31 December 1992	2,981,505	6,499,059	273,853	331,220	46,372	10,132,009

The net book value of plant and machinery includes an amount of £56,401 (1992: £151,632) in respect of assets held under finance leases.

10 Stocks

	1993 £	1992 £
Raw materials and consumables	370,222	793,235
Work in progress	100,827	185,970
Finished goods and goods for resale	-	5,400
	<u>471,049</u>	<u>984,605</u>

11 Debtors

	1993 £	1992 £
Amounts falling due within one year		
Trade debtors	427	38,954
Amounts owed by joint venture parents and related companies	3,032,318	6,839,260
Other debtors	23,642	25,063
Prepayments and accrued income	129,005	111,650
	<u>3,185,392</u>	<u>7,014,927</u>
Amounts falling due after more than one year		
ACT recoverable	94,840	106,323
	<u>3,280,232</u>	<u>7,121,250</u>

12 Creditors: Amounts falling due within one year

	1993 £	1992 £
Bank overdraft	-	1,208,743
Short term loans	-	320,000
Obligations under finance leases (note 13)	34,664	95,230
Trade creditors	1,755,375	5,093,050
Amounts owed to joint venture parents and related companies	1,390,391	1,335,289
Corporation tax	1,142,944	675,000
Advanced corporation tax payable	250,000	290,323
Taxation and social security	1,455,147	1,131,701
Dividends proposed	1,000,000	1,000,000
Accruals and deferred income	1,794,890	1,680,768
	<u>8,823,411</u>	<u>12,830,104</u>

The company has an unused loan facility of £7.5 million which is secured by guarantees from Ikeda Bussan Company Limited and Johnson Controls Automotive (UK) Limited, the joint venture parent companies, or by a letter of comfort from Ikeda Bussan Company Limited.

13 Creditors: Amounts falling due after more than one year

	1993 £	1992 £
Obligations under finance leases (note 13)	<u>34,664</u>	<u>69,329</u>

14 Finance leases

The future minimum lease payments to which the company is committed under finance leases are as follows:

	1993 £	1992 £
In one year or less	48,320	122,085
Between one and two years	48,320	48,320
Between two and five years	-	48,320
	<u>96,640</u>	<u>218,725</u>
Less: Interest charges allocated to future periods	(27,312)	(54,169)
	<u>69,328</u>	<u>164,559</u>

15 Provisions for liabilities and charges

	1993 £'000	1992 £'000
Pensions and similar obligations	391,035	300,000
Deferred taxation	<u>100,854</u>	<u>86,000</u>
	<u>491,889</u>	<u>386,000</u>

Deferred taxation

	Amount provided		Amount unprovided	
	1993 £	1992 £	1993 £	1992 £
Accelerated capital allowances	463,088	405,471	-	-
Other timing differences	<u>(207,074)</u>	<u>(135,471)</u>	-	-
	256,014	270,000	-	-
Less: advanced corporation tax	<u>(155,160)</u>	<u>(184,000)</u>	-	-
	<u>100,854</u>	<u>86,000</u>	-	-

Provisions for liabilities and charges (continued)

	Pensions and similar obligations £	Deferred taxation £
At 1 January 1993	300,000	270,000
Profit and loss account:		
Adjustment in respect of prior years	-	(6,808)
Charge for the year	91,035	(7,178)
At 31 December 1993	<u>391,035</u>	<u>256,014</u>

16 Accruals and deferred income

Government grants

	£
At 1 January 1993	989,534
Additions	619,711
Released in year	(358,414)
At 31 December 1993	<u>1,250,831</u>

17 Pension and similar obligations

The company operates a funded defined benefit pension scheme, the assets of which are held in a separate trustee administered fund. The contribution rate is determined by a qualified actuary at intervals not exceeding three years. The last actuarial valuation report was dated April 1990 and related to service by members up to 5 April 1990. The report showed no deficiency on a current funding level basis. It was produced using the projected unit method of funding and the main assumptions were that investment returns would exceed salary increases by 1% per annum. The market value of the assets of the scheme in April 1990 was £378,748. The actuarial valuation of these assets represented 102% of the value of the benefits for service to the date of valuation allowing for future salary increases.

The total pension cost for the company was £553,453 (1992: £701,296). Included within provisions for liabilities and charges is an amount of £391,035 (1992: £300,000) which represents the difference between costs recognised and amounts funded.

18 Called-up share capital

	1993 £	1992 £
Authorised		
1,058,000 "A" ordinary shares of £1 each	1,058,000	1,058,000
1,017,000 (1992: 1,000,000) "B" ordinary shares of £1 each	1,017,000	1,017,000
	<u>2,075,000</u>	<u>2,075,000</u>
Allotted, called-up and fully paid		
1,058,000 (1992: 1,058,000) "A" ordinary shares of £1 each	1,058,000	1,058,000
1,017,000 (1992: 1,017,000) "B" ordinary shares of £1 each	1,017,000	1,017,000
	<u>2,075,000</u>	<u>2,075,000</u>

19 Dividends

	1993 £	1992 £
Dividends on equity shares		
"A" ordinary shares final proposal 48.2p per share (1992: 48.2p)	510,000	510,000
"B" ordinary shares final proposal 48.2p per share (1992: 48.2p)	490,000	490,000
	<u>1,000,000</u>	<u>1,000,000</u>

20 Reserves

	Profit and loss account £
At 1 January 1993	1,889,597
Profit for the year	1,462,780
At 31 December 1993	<u>3,352,377</u>

21 Reconciliation of movements in shareholders' funds

	1993 £'000	1992 £'000
Profit on ordinary activities after taxation	2,462,780	2,724,680
Dividends	(1,000,000)	(1,000,000)
Opening shareholders' funds	3,964,597	2,239,917
Closing shareholders' funds	<u>5,427,377</u>	<u>3,964,597</u>

22 Capital commitments

	1993 £	1992 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	41,486	446,003
Capital expenditure that has been authorised by the directors but has not yet been contracted for	356,472	584,047
	<u>397,958</u>	<u>1,030,050</u>

23 Reconciliation of operating profit to net cash inflow from operating activities

	1993 £	1992 £
Operating profit	3,880,143	3,871,131
Depreciation on tangible fixed assets	1,845,472	1,539,979
Loss/(profit) on sale of tangible fixed assets	(11,420)	(12,929)
Government grants released	(358,414)	(228,418)
Decrease/(increase) in stocks	513,556	(156,711)
(Increase)/decrease in debtors	3,827,720	670,953
Increase in creditors	(2,470,801)	827,491
Increase in pension provision	(91,035)	(300,000)
Net cash inflow from operating activities	<u>7,135,221</u>	<u>6,211,496</u>

24 Cash and cash equivalents

	1993 £
Changes during the year	
At 1 January 1993	(1,527,043)
Net cash inflow	4,692,925
At 31 December 1993	<u>3,165,882</u>

	1993 £	1992 £	Change in year £
Analysis of balances			
Cash at bank and in hand	3,165,882	1,700	3,164,182
Bank overdrafts	- (1,208,743)		1,208,743
Short term loans	- (320,000)		320,000
At 31 December	<u>3,165,882</u>	<u>(1,527,043)</u>	<u>4,692,925</u>

25 Analysis of changes in financing during the year

	Share capital £	Finance lease obligations £
Balance at 1 January 1993	2,075,000	164,559
Repayments of principal	-	(95,231)
Balance at 31 December 1993	<u>2,075,000</u>	<u>69,328</u>

26 Joint venture parent companies

Shares in Ikeda Hoover Limited are held under a joint venture agreement between Ikeda Bussan Company Limited, a company incorporated in Japan, and Johnson Controls Automotive (UK) Limited, a company registered in England and Wales.