

LIC Components Limited

Directors' report and financial statements

31 December 2005

Registered number 3338448



LIC Components Limited

Directors' report and financial statements

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LIC Components Limited

Directors' report

The directors submit their report and the audited financial statements for the year ended 31 December 2005.

Principal activity

The principal activity of the company is the manufacture and sale of repetition turned parts. There has been no significant change in the activity during the year.

Business review

The company did well to maintain volumes in the face of overseas competition, but came under significant price pressure from a major customer during the year. This, combined with a persistently strong Pound in the Euro area, continued increases in raw material prices and rapidly rising energy prices, led to a deterioration in margins during the year.

The contribution of both management and employees in these difficult circumstances is both recognised and appreciated.

Details of the results for the year are as follows:-

	2005 £	2004 £
Turnover	<u>4,040,374</u>	<u>4,083,233</u>
(Loss)/profit on ordinary activities before taxation	(77,657)	74,821
Taxation	<u>25,056</u>	<u>19,878</u>
Retained (loss)/profit for the financial year	<u>(52,601)</u>	<u>94,699</u>

The turnover of £4,040,374 (of which £1,759,405 was exported) all relates to the principal activity noted above.

During 2006, margins continue to come under pressure, however the company is making selective investments in plant in order to take advantage of opportunities to broaden its market, although it is unlikely the benefits of these will arrive in time to see any significant improvement over the period.

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Directors' report *(continued)*

Financial risk management objectives and policies

The company's principal financial instrument comprises a parent company loan account. The main purpose of this financial instrument is to finance the company's operations. The company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The company does not enter into derivative transactions. It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the company's financial instruments are credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

Credit and liquidity risk

The company trades with only recognised, creditworthy third parties. It is the company policy that all customers who wish to trade on credit terms are subject to credit vetting procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant. The company closely monitors its parent company loan account and working capital requirements.

Dividend

The directors do not recommend the payment of a dividend for the year (2004: £Nil). The retained loss of £52,601 has been transferred to reserves.

Fixed assets

Details of movements in fixed assets are set out in note 8 to the financial statements.

Directors

The directors who served throughout the year were:-

Mr MI Lloyd (chairman)
Mr KG Sedgebear

Mr KG Sedgebear had no interest in the share capital of any group company at any time during the year.

Mr MI Lloyd is also a director of the ultimate holding company and his interest falls to be disclosed in the financial statements of that company.

Taxation status

The company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

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Directors' report *(continued)*

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Company law requires the directors to prepare financial statements for each financial period 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 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 a 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 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 have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Grant Thornton UK LLP as auditors of the company is to be proposed at the forthcoming annual general meeting.

This report was approved by the board of directors on 27 October 2006 and signed on its behalf by:-



MS Lloyd
Company secretary

Summerhill Works
Powell Street
Birmingham
B1 3DH

Enterprise House
115 Edmund Street
Birmingham
B3 2HJ

Independent auditor's report to the members of LIC Components Limited

We have audited the financial statements of LIC Components Limited for the year ending 31 December 2005 which comprise the profit and loss account, balance sheet 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 auditors

The directors' responsibilities for preparing the Directors' Report 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. We also report to you if, in our opinion, the Directors' Report 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 Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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.

Independent auditor's report to the members of LIC Components Limited
(continued)

Basis of opinion (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.

Qualified opinion arising from disagreement about accounting treatment

As more fully explained in note 17 to the financial statements, no provision has been made for the asset/liability which would arise on the adoption in full of FRS 17 "Retirement Benefits". As no information is available to us in respect of assets and liabilities of the scheme at 31 December 2005 we have been unable to quantify the omissions. Whilst there is no direct relationship with the FRS 17 valuation, we are aware that at the last actuarial valuation prepared as at 5 April 2003 the scheme has a surplus of assets over liabilities amounting to £106,000. In our opinion provision should be made for an asset or liability in accordance with FRS 17.

Except for the financial effect of not making the provision referred to in the preceding paragraph, and the absence of any disclosures under FRS 17, 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 loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
Registered Auditors

27 October 2006
Birmingham

LIC Components Limited

Profit and loss account

for the year ended 31 December 2005

	Note	2005		2004	
		£	£	£	£
Turnover	2		4,040,374		4,083,233
Change in stocks of finished goods and work in progress		(32,559)		74,620	
Raw materials and consumables		(1,994,564)		(1,788,187)	
Other external charges		(393,371)		(417,154)	
			<u>(2,420,494)</u>		<u>(2,130,721)</u>
			1,619,880		1,952,512
Staff costs - ongoing	3		(1,541,124)		(1,658,266)
Staff costs - exceptional redundancy costs			-		(52,465)
Depreciation and other amounts written off tangible and intangible assets			(156,734)		(166,970)
			<u>(77,978)</u>		<u>74,811</u>
Operating (loss)/profit					
Net interest receivable	4		<u>321</u>		<u>10</u>
(Loss)/profit on ordinary activities before taxation	5		(77,657)		74,821
Taxation on loss/profit on ordinary activities	7		<u>25,056</u>		<u>19,878</u>
Retained (loss)/profit for the financial year	15		<u>(52,601)</u>		<u>94,699</u>

The movements on reserves and in shareholders' funds are set out in note 15.

All turnover and operating (loss)/profit arises from continuing activities.

The company has no recognised gains or losses in either the current or preceding year other than the (losses)/profits for those years.

LIC Components Limited

Balance sheet

at 31 December 2005

	Note	2005	2004
		£	£
Fixed assets			
Tangible assets	8	207,848	356,721
Current assets			
Stocks	9	472,056	549,664
Debtors	10	742,005	794,243
Cash at bank and in hand		448	165
		<u>1,214,509</u>	<u>1,344,072</u>
Creditors: amounts falling due within one year	11	<u>(398,248)</u>	<u>(439,882)</u>
Net current assets		<u>816,261</u>	<u>904,190</u>
Total assets less current liabilities		<u>1,024,109</u>	<u>1,260,911</u>
Financed by:			
Creditors: amounts falling due after more than one year	12	223,000	379,000
Provisions for liabilities and charges	13	7,384	35,585
Capital and reserves			
Called up share capital	14	10,000	10,000
Profit and loss account	15	<u>783,725</u>	<u>836,326</u>
Shareholders' funds	15	<u>793,725</u>	<u>846,326</u>
		<u>1,024,109</u>	<u>1,260,911</u>

Shareholders' funds are wholly attributable to equity interests.

These financial statements were approved by the board of directors on 27 October 2006 and were signed on its behalf by:-



MI Lloyd
Director

LIC Components Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been used in dealing with items which are considered material in relation to the company's financial statements.

Basis of accounting

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable Accounting Standards.

Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets in equal annual instalments over their estimated useful lives as follows:-

Plant and machinery	Between 5 and 15 years
Motor vehicles	Between 3 and 5 years
Fixtures, fittings, tooling and equipment	Between 4 and 10 years

Additions to fixed assets during the accounting period are depreciated at 50% of the annual rate attributable to that category of asset.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost in relation to finished goods and work in progress includes attributable production overheads.

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 assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Pensions

The company operates a defined benefit pension scheme covering the majority of its permanent employees. Contributions to the defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' service lives with the company.

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transactions. Any amounts receivable or payable at the balance sheet date are converted at the rate then ruling and any differences are taken to the profit and loss account.

Operating leases

Payments under operating leases are charged to revenue in the financial period in which they are incurred.

Cash flow statement

The company has taken advantage of the exemption from preparing a cash flow statement conferred by FRS 1 on the grounds that it is entitled to the exemptions available in Section 246 to 247 of the Companies Act 1985 (amended) for Small Companies.

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Notes (continued)

2 Turnover

Turnover represents invoiced sales less returns, excluding VAT, in respect of goods sold. The analysis of turnover by geographical area is as follows:-

	2005 £	2004 £
United Kingdom	2,280,969	2,542,035
Rest of Europe	1,759,405	1,541,198
	<u>4,040,374</u>	<u>4,083,233</u>

3 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:-

	2005 Number	2004 Number
Management	6	6
Administration and sales	11	9
Production	60	69
	<u>77</u>	<u>84</u>

The aggregate payroll costs of these persons were as follows:-

	£	£
Wages and salaries	1,358,192	1,463,618
Social security costs	99,133	109,166
Other pension costs	83,799	85,482
	<u>1,541,124</u>	<u>1,658,266</u>

4 Net interest receivable/(payable)

	2005 £	2004 £
Interest receivable	140	10
Bank loans and overdraft repayable within 5 years	(37)	-
Other interest	218	-
	<u>321</u>	<u>10</u>

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Notes (continued)

5 Profit or loss on ordinary activities before taxation

Profit or loss on ordinary activities before taxation is stated after charging/(crediting) the following:-

	2005 £	2004 £
Profit on sale of fixed assets	(1,650)	(233)
Auditors' remuneration	3,500	4,000
Operating lease rentals	132,432	133,024
Depreciation	<u>156,734</u>	<u>166,970</u>

6 Directors' emoluments

The chairman and one other director are paid by other group companies and their emoluments are shown in the financial statements of those companies. No other director was accruing retirement benefits under a defined benefits pension scheme (2004: none).

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Notes (continued)

7 Taxation on (loss)/profit on ordinary activities

	2005 £	2004 £
Corporation tax based on the adjusted profit for the year at 19% (2004: adjusted profit at 19%)	3,145	6,333
Deferred taxation	(28,201)	(26,211)
	<u>(25,056)</u>	<u>(19,878)</u>

Factors affecting current tax charge for the year

The tax assessed for the year is higher than (2004: lower than) the standard rate of corporation tax in the UK being 30% (2004: 30%). The differences are explained below:-

(Loss)/profit on ordinary activities before taxation	(77,657)	74,821
Corporation tax on above at the standard UK rate of 30% (2004: 30%).	(23,297)	22,446
Effects of:-		
Expenses not deductible for tax purposes	62	1
Capital allowances less than depreciation	28,696	26,281
Profits on sale of tangible fixed assets	(495)	(70)
Utilisation of tax losses	-	(38,658)
Small companies rate	(1,821)	(3,667)
Current tax charge for the year	<u>3,145</u>	<u>6,333</u>

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Notes (continued)

8 Tangible assets

	Plant and machinery	Fixtures, fittings, tooling and equipment	Motor vehicles	Total
<i>Cost</i>	£	£	£	£
At beginning of year	1,406,211	45,558	70,510	1,522,279
Additions	3,321	4,540	-	7,861
Disposals	-	-	(8,995)	(8,995)
At end of year	1,409,532	50,098	61,515	1,521,145
<i>Depreciation</i>				
At beginning of year	1,078,472	39,726	47,360	1,165,558
Charge for the year	144,049	2,419	10,266	156,734
Eliminated on disposals	-	-	(8,995)	(8,995)
At end of year	1,222,521	42,145	48,631	1,313,297
<i>Net book value</i>				
At 31 December 2005	187,011	7,953	12,884	207,848
At 31 December 2004	327,739	5,832	23,150	356,721

Capital commitments

The company had no contractual commitments for capital expenditure at 31 December 2005 (2004: £Nil).

9 Stocks

	2005 £	2004 £
Raw materials	79,464	124,513
Work in progress	392,592	425,151
	472,056	549,664

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Notes (continued)

10 Debtors

	2005 £	2004 £
Trade debtors	667,689	684,056
Amounts due from group undertakings - fellow subsidiary	22,163	51,866
Prepayments	52,153	58,321
	<u>742,005</u>	<u>794,243</u>

11 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank overdraft	28,065	1,805
Trade creditors	226,317	280,258
Amounts due to group undertakings - fellow subsidiary	5,124	24,523
Other creditors including taxation and social security	72,093	75,175
Accruals	66,649	58,121
	<u>398,248</u>	<u>439,882</u>

Other creditors including taxation and social security comprise:-

Social security and PAYE	29,413	37,298
Corporation tax	3,145	953
VAT	20,651	(15,363)
Other creditors	18,884	52,287
	<u>72,093</u>	<u>75,175</u>

12 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Amounts due to group undertakings - parent	<u>223,000</u>	<u>379,000</u>

The immediate parent company has a fixed and floating charge over the assets of the company.

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Notes (continued)

13 Provisions for liabilities and charges

The amounts provided for deferred taxation and the full potential liability, calculated on the liability method at a corporation tax rate of 30% (2004: 30%) are set out below:-

	2005		2004	
	Amount provided	Amount not provided	Amount provided	Amount not provided
	£	£	£	£
Difference between accumulated depreciation and amortisation and capital allowances	<u>7,384</u>	<u>-</u>	<u>35,585</u>	<u>-</u>

14 Called up share capital

	2005 £	2004 £
<i>Authorised:</i>		
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
<i>Allotted:</i>		
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
<i>Called up and paid:</i>		
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

15 Reserves and reconciliation of movements in shareholders' funds

	Share capital	Profit and loss account	Total
	£	£	£
At beginning of year	10,000	836,326	846,326
Retained loss for the financial year	<u>-</u>	<u>(52,601)</u>	<u>(52,601)</u>
At end of year	<u>10,000</u>	<u>783,725</u>	<u>793,725</u>

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Notes (continued)

16 Lease commitments

Annual commitments under operating leases are as follows:-

	2005 £	2004 £
Land and buildings		
Expiring in over five years	<u>120,000</u>	<u>120,000</u>

17 Pension contributions

The company participates in a group pension scheme providing benefits for its employees which are based on final pensionable earnings, contributions being charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives. The assets of the scheme are administered by trustees and are held separately from the group. The contributions for the scheme have been determined by a qualified actuary using the projected unit method.

The company has not provided for an asset or liability nor made disclosures as at 31 December 2005 in accordance with Financial Reporting Standard 17 "Retirement Benefits". Whilst there is no direct relationship with the FRS 17 valuation, at the last actuarial valuation prepared as at 5 April 2003 the scheme has a surplus of assets over liabilities amounting to £106,000. The principal assumption was that long term investment returns will be 2.5% per annum above the general rate of increase in earnings.

There were no contributions prepaid or outstanding at 31 December 2005 (2004: £Nil).

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Notes (continued)

18 Related party transactions

The aggregate value of transactions made during the year in the normal course of business between the company and group undertakings, were as follows:-

	2005 £	2004 £
Purchases of raw materials from fellow subsidiaries	-	3,626
Sales of products to fellow subsidiaries	112,806	235,508
Charges for management and property services provided by parent company	20,000	20,000

Balances due from and to group undertakings are disclosed within the debtors and creditors notes above.

19 Parent companies

The immediate parent company is Glenson (Holdings) Limited and the ultimate parent company is Currie & Warner (Holdings) Limited, both of which are incorporated in Great Britain and registered in England and Wales.

The results of the company are incorporated into the consolidated financial statements of Currie & Warner (Holdings) Limited. Copies of these financial statements can be obtained from Summerhill Works, Powell Street, Birmingham, B1 3DH.