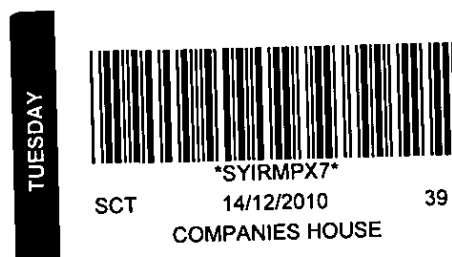


## **Simclar Seating Technologies Limited**

### **Report and Financial Statements**

31 December 2008

Company No. SC276970



# Simclar Seating Technologies Limited

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Registered No: SC276970

## **Directors**

S J Russell  
C M J Russell  
J I Durie  
S P Donnelly

## **Auditors**

Grant Thornton UK LLP  
1-4 Atholl Crescent  
Edinburgh  
EH3 8LQ

## **Bankers**

Bank of Scotland  
11 Earl Grey Street  
Edinburgh  
EH3 9BN

## **Solicitors**

Semple Fraser WS  
80 George Street  
Edinburgh  
EH2 3BU

## **Registered Address**

Building 1  
Pitreavie Business Park  
Dunfermline  
Fife  
KY11 8UN

## Directors' report

The directors present their report and the accounts for the year ended 31 December 2008.

### Principal activities and review of the business

The principal activity of the company is that of the design, development and contracting of components for sales to the office furniture and seating market.

Following a reassessment of the future potential of one of its major new products, the company undertook a fundamental restructuring of the business involving major asset impairment as well as significant changes in both the senior management structure and future product strategy. The effect of this fundamental restructuring has given rise to an exceptional item as detailed in note 5 of the accounts.

### Results and dividends

The loss for the year after taxation was £640,000 (2007 - loss of £862,000). The directors recommend that no dividend is paid (2007- £nil).

### Future Development

The company continues to look to expand out-with the traditional EU market place into both the US and Far East. This expansion has been stimulated further by the company successfully completing the outsourcing of its product to the Far East. The company also continues to develop its existing product range and progress new design opportunities as it seeks to increase business with existing and new customers.

### Directors

The directors during the year under review were:

S J Russell

C M J Russell

J I Durie

S P Donnelly

B L Ward (resigned 27 November 2009)

### Directors' interests

At 31 December 2008, none of the directors had any interest in the share capital of the company. As at 31 December 2008, S J Russell, C M J Russell and J I Durie were also directors of the ultimate parent company, Simclar Group Limited, and their interests in the share capital of that company are listed in the directors' report accompanying that company's financial statements.

### Financial risk management objectives and policies

The company does not enter into any hedging transactions.

The company has established overdraft facilities at variable rates and manages its liquidity and cash flow risks by the constant monitoring of cash position and projections.

Price risk in financial instruments may exist where their value varies in accordance with currency, interest rate or other market movements. None of the financial instruments are subject to any other market movements affecting price risk. In summary, therefore, exposure to price risk is not considered material.

The company monitors credit risk via continual review of balances due from customers and also through use of credit limits

## Directors' report

### 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 members 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 training, career development and promotion of the disabled should, as far as possible, be identical to that of other employees.

### Employee involvement

The company places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

### Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

### Going concern

The company is dependant on continuing finance being made available by its parent company to enable it to continue operating and to meet its liabilities as they fall due. The company has received a letter of continuing financial support from its parent company. The directors believe that it is therefore appropriate to prepare the financial statements on a going concern basis.

### Auditors

Grant Thornton UK LLP offer themselves for appointment as auditors in accordance with section 485(4) of the Companies Act 2006 and a resolution proposing their appointment will be submitted at the annual general meeting.

On behalf of the board



JI Durie  
Director

13 December 2010

## **Statement of directors' responsibilities in respect of the financial statements**

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 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; and
- prepare the financial statements on the 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 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.

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SIMCLAR SEATING TECHNOLOGIES LIMITED**

We have audited the financial statements of Simclar Seating Technologies Limited for the year to 31 December 2008 which comprise the Principal Accounting Policies, the Profit and Loss Account, the 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 auditor**

The directors' responsibilities for preparing the Report of the Directors 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 Report of the Directors is not consistent with the financial statements.

In addition we report 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

### **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.

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Registered Auditor  
Chartered Accountants  
Edinburgh  
13 December 2010

## Profit and loss account

for the year ended 31 December 2008

	<i>Note</i>	<i>2008 £'000</i>	<i>2007 £'000</i>
<b>Turnover</b>	2	3,633	2,926
Operating costs	3	4,082	3,426
		<u>          </u>	<u>          </u>
<b>Operating loss before exceptional items</b>		(449)	(500)
Exceptional item	5	(231)	(725)
		<u>          </u>	<u>          </u>
<b>Loss on ordinary activities before taxation</b>		(680)	(1,225)
Taxation credit	8	40	363
		<u>          </u>	<u>          </u>
<b>Loss on ordinary activities after taxation</b>	16	(640)	(862)
		<u>          </u>	<u>          </u>

The company has no recognised gains or losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

All the activities of the company are classed as continuing.

The accompanying accounting policies and notes form part of the financial statements.



## Balance sheet

at 31 December 2008

	Note	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Intangible assets	9	-	-
Tangible assets	10	820	981
		<u>820</u>	<u>981</u>
<b>Current assets</b>			
Stock	11	189	266
Cash at bank		1,361	580
Debtors - falling due within one year	12	1,283	995
<b>Creditors:</b> amounts falling due within one year	13	(5,115)	(3,604)
<b>Net current liabilities</b>		<u>(2,282)</u>	<u>(1,763)</u>
<b>Total assets less current liabilities</b>		<u>(1,462)</u>	<u>(782)</u>
Deferred taxation	14	-	( 40)
<b>Total assets less current liabilities</b>		<u><u>(1,462)</u></u>	<u><u>(822)</u></u>
<b>Capital and reserves</b>			
Called up equity share capital	15	1	1
Profit and loss account - deficit	16	(1,463)	(823)
Equity shareholder's funds		<u><u>(1,462)</u></u>	<u><u>(822)</u></u>

These financial statements were approved by the directors on 13 December 2010 and are signed on their behalf by :



JI Durie  
Director

The accompanying accounting policies and notes form part of the financial statements.

Company Registration Number: SC276970

## Notes to the financial statements

at 31 December 2008

### 1. Accounting policies

#### *Fundamental accounting concept*

The company is dependant on continuing finance being made available by its parent company to enable it to continue operating and to meet its liabilities as they fall due.

The company has received a letter of continuing financial support from its parent company. The directors believe that it is therefore appropriate to prepare the financial statements on a going concern basis.

#### *Basis of accounting*

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

#### *Cash flow statement*

Simclar Group Limited, of which the company is a wholly owned subsidiary undertaking, will comply with Financial Reporting Standard Number 1 in its consolidated accounts for the year ended 31 December 2008. Accordingly, the company is exempt from the requirement to prepare a cash flow statement.

#### *Intangible asset - Research and Development*

Research and development expenditure is written off as incurred, except in the case of development expenditure incurred on an individual project, which is carried forward, when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

#### *Tangible fixed assets*

Fixed assets are stated at historical cost.

#### *Depreciation*

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of fixed assets on a straight-line basis over their estimated useful lives as follows:

Tooling	-	15 years
Plant & Equipment	-	3-10 years

#### *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

## Notes to the financial statements

at 31 December 2008

### 1. Accounting policies (cont'd)

#### Pension costs

The company operates a defined contribution scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

#### Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transaction or agreed rate for the transaction.

At the year end all monetary liabilities and assets are translated at year end exchange rates and the resulting exchange differences are dealt with in the determination of profit for the financial year.

#### Leases and hire purchase contracts

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

### 2. Turnover

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

All turnover arises from products supplied from within the United Kingdom. An analysis of turnover by geographical destination is given below:

	2008 £'000	2007 £'000
United Kingdom	418	468
Rest of Europe	2,537	1,846
USA	608	565
Other	70	47
	<u>3,633</u>	<u>2,926</u>

### 3. Operating costs

	2008 £'000	2007 £'000
Raw materials and consumables	2,384	1,810
Staff costs (note 7)	237	239
Temporary agency labour	892	921
Depreciation	161	134
Other operating charges	558	547
Costs capitalised as research & development (note 9)	(150)	(225)
	<u>4,082</u>	<u>3,426</u>

## Notes to the financial statements

at 31 December 2008

### 4. Operating loss

	2008 £'000	2007 £'000
Operating loss is stated after charging:		
Auditors' remuneration - audit services	1	1

### 5. Exceptional item

	2008 £'000	2007 £'000
Recognised below operating loss :		
Fundamental restructuring	(231)	(725)

The exceptional item recognised below operating loss relates to fundamental restructuring of the business following the reassessment of the future potential of one of its new products resulting in a major asset impairment and significant changes in both senior management structure and future strategy. The increase in tax charge as a result of exceptional items is £nil (2007 – £nil).

### 6. Directors' remuneration

	2008 £'000	2007 £'000
Emoluments	68	68
Pension contributions	8	8

One director accrued benefits under the company pension scheme.

### 7. Staff costs

	2008 £'000	2007 £'000
Employee costs during the period amounted to:		
Wages and salaries	201	206
Social security costs	20	21
Other pension costs	16	12
	237	239

## Notes to the financial statements

at 31 December 2008

### 7. Staff costs cont'd

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

	2008 No	2007 No
Selling, distribution and administration	8	6

### 8. Tax on loss on ordinary activities

	2008 £'000	2007 £'000
(a) Tax on loss on ordinary activities		
The tax charge is made up as follows:		
Current tax:		
Group relief	-	( 403)
	-	( 403)
Deferred tax:		
Originating and reversal of timing differences	( 40)	40
Tax on loss on ordinary activities	( 40)	( 363)

#### (b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is different to the standard rate of corporation tax in the UK. The differences are explained below.

	2008 £'000	2007 £'000
Loss on ordinary activities before tax	(680)	(1,225)
at UK corporation tax rate of 28.5% (2007: 30%)	(194)	(367)
Effect of:		
Unrelieved tax losses	194	-
Capital allowances in excess of depreciation	-	( 42)
Disallowable trading expenses and non taxable income	-	6
Tax on loss on ordinary activities	-	( 403)

#### (c) Factors that may affect future tax charges

There are no unrecognised deferred tax balances at the year end.

## Notes to the financial statements

at 31 December 2008

### 9. Intangible assets

	<i>Research &amp; Development £'000</i>
Cost at 1 January 2008	725
Additions	150
At 31 December 2008	875
Amortisation at 1 January 2008	725
Impairment Charge	150
At 31 December 2008	875
Net book value: At 31 December 2008	-
At 31 December 2007	-

Company policy is to capitalise research and development costs and only start to amortise them on completion of the project, upon which they will be amortised in line with expected future sales. Following a reassessment of the future potential of the newly developed product, the company undertook a fundamental restructuring of the business and fully impaired the related research and development costs.

### 10. Tangible fixed assets

	<i>Plant and Machinery £'000</i>	<i>Tooling £'000</i>	<i>Total £'000</i>
Cost at 1 January 2008	163	1,147	1,310
Additions	-	81	81
At 31 December 2008	163	1,228	1,391
Depreciation at 1 January 2008	26	303	329
Charge for year	50	111	161
Impairment charge	-	81	81
At 31 December 2008	76	495	571
Net book value: At 31 December 2008	87	733	820
At 31 December 2007	137	844	981

## Notes to the financial statements

at 31 December 2008

### 11. Stock

	2008 £'000	2007 £'000
Raw materials and consumables	51	147
Work in progress	98	101
Finished goods	40	18
	<u>189</u>	<u>266</u>
Raw materials	146	229
Aged stock provision	(95)	(82)
	<u>51</u>	<u>147</u>

In the opinion of the directors, the replacement cost of stock is not significantly different from the balance sheet value.

### 12. Debtors

	2008 £'000	2007 £'000
Trade debtors	752	426
Amounts owed by other group undertakings	72	14
Group relief receivable	403	403
Other debtors and prepayments	56	152
	<u>1,283</u>	<u>995</u>

### 13. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	538	183
Amounts owed to other group undertakings	4,522	3,406
Accruals and deferred income	55	15
	<u>5,115</u>	<u>3,604</u>

## Notes to the financial statements

at 31 December 2008

### 14. Deferred taxation

The movement in deferred taxation during the year is as follows :

	£'000
At 1 January 2008	40
Release for the year	(40)
At 31 December 2008	-

### 15. Called up share capital

	2008 £'000	2007 £'000
Authorised: 1,000 ordinary shares of £1 each	1	1
Allotted, called-up and fully paid: 1,000 ordinary shares of £1 each	1	1

### 16. Reconciliation of equity shareholder's funds and movements on reserves

	Share capital £'000	Profit and loss account £'000	Total shareholder's funds £'000
At 1 January 2007	1	39	40
Loss for the year	-	(862)	(862)
At 31 December 2007	1	(823)	(822)
Loss for the year	-	(640)	(640)
At 31 December 2008	1	(1,463)	(1,462)



## Notes to the financial statements

at 31 December 2008

### 17. Guarantees and other financial commitments

#### *Contingent liabilities*

There are no contingent liabilities for which provision has not been made. The company has however given guarantees which cover normal business indemnities.

#### *Lease commitments*

At 31 December 2008, the company had annual commitments under non-cancellable operating leases on land and buildings as set out below:

	2008	2007
	£'000	£'000
Operating leases which expire:		
Less than 1 year	15	-
Within 2 to 5 years	-	15
	<u>15</u>	<u>15</u>

### 18. Related party transactions

The company has not disclosed transactions with any group company as allowed by FRS 8 on the grounds that all companies are wholly owned by Simclar Group Limited and are consolidated within those accounts that are available on public file at Companies House.

### 19. Ultimate holding company

The company's parent undertaking and controlling party is Simclar Group Limited. It has included the company in its group financial statements, copies of which are available from its registered office: Building 1, Pitreavie Business Park, Dunfermline, Fife, KY11 8UN.

The ultimate controlling party is S J Russell.