

TI REYNOLDS RINGS LIMITED

(A WHOLLY OWNED SUBSIDIARY OF  
TI GROUP plc)

31 DECEMBER 1986

(Registered in England number 59990)

COMPANIES REGISTRATION  
6 MAY 1987  
M OFFICE 10

## REPORT OF THE DIRECTORS

The directors of TI Reynolds Rings Limited present their annual report together with the financial statements of the company for the year ended 31 December 1986.

## PRINCIPAL ACTIVITIES OF THE COMPANY

The principal activities of the company are the manufacture and sale of flash-welded, cold-rolled and machined rings for the aerospace and defence markets.

## REVIEW OF THE BUSINESS

On 1 January 1986, all employees and assets, liabilities and business of the Aircraft Engine Rings division of TI Reynolds Limited, a fellow subsidiary of TI Group plc, were acquired by the company which continues to occupy premises at Hay Hall Works, leased from TI Reynolds Limited.

During the first year of trading in this new form, the company showed a further increase over the previous year with growth in both the home and export markets. As a result sales increased by 7%. Significant activity occurred in the area of new products and developing parts for new engine programmes.

## RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 4.

The company's profit after taxation for the financial year is £905,000.

An interim dividend on the ordinary shares amounting to £155,000 was paid during the year. The board recommends that a final dividend on the ordinary shares of £396,000 be declared.

## FIXED ASSETS

Changes in the fixed assets of the company are set out in note 10 to the financial statements.

## DIRECTORS AND THEIR INTERESTS

The following were directors of the company during the year:

Mr R E Dunham  
Mr S M Bates  
Mr M J Fox  
Mr M H Burden

## REPORT OF THE DIRECTORS (CONTINUED)

## DIRECTORS AND THEIR INTERESTS (continued)

The beneficial interests of the directors on 31 December 1986 and 1985 have been notified as follows:

	<u>1986</u>	<u>1985</u>	<u>Interests in TI Group plc</u>
Mr S M Bates	339	339	) Options granted on TI Group ) plc ordinary shares under ) the TI (1981) Savings-Related
Mr M J Fox	3,193	3,193	) Share Option Scheme

In addition Mr R E Dunham has 10,000 American Depository Receipts issued in respect of TI Group plc shares.

## FUTURE DEVELOPMENTS

Recent investments into machining and Tru-form Rolling will provide the major thrust for business development in the short to medium term.

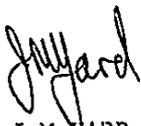
## RESEARCH AND DEVELOPMENT

The company has an active programme for both product and manufacturing development, with input from TI Research Laboratories where appropriate, to extend its product range and manufacturing process capabilities.

## AUDITORS

As part of the reorganisation which is currently taking place in the group the directors of the parent company have decided to appoint Price Waterhouse, the parent company's auditors, as auditors to the group world-wide. Accordingly KMG Thomson McLintock have tendered their resignation to take effect from the conclusion of the 1987 annual general meeting and a resolution proposing the appointment of Price Waterhouse as auditors in their stead and authorising the directors to fix their remuneration will be put to the annual general meeting.

By order of the board

 F.C.C.A.

J M YARD

Secretary

4 March 1987



1 Cornwall Street  
Birmingham B3 2FU

**AUDITORS' REPORT TO THE MEMBERS OF TI REYNOLDS RINGS LIMITED**

We have audited the financial statements on pages 4 to 13 in accordance with approved auditing standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1986 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

*KMG Thomson McLintock*

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KMG THOMSON McLINTOCK

4 March 1987

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1986

	<u>Notes</u>	<u>1986</u> £'000	<u>1985</u> £'000
TURNOVER	2	15,051	-
Costs, less other income	4 - 6	<u>(13,543)</u>	<u>-</u>
TRADING PROFIT		1,508	-
Interest	7	<u>(268)</u>	<u>-</u>
PROFIT BEFORE TAXATION		1,240	-
Taxation	8	<u>(335)</u>	<u>-</u>
PROFIT AFTER TAXATION BEING THE PROFIT FOR THE FINANCIAL YEAR		905	-
DIVIDENDS	9	<u>(551)</u>	<u>840</u>
TRANSFER TO PROFIT AND LOSS ACCOUNT	19	<u>354</u>	<u>840</u>

BALANCE SHEET  
AS AT 31 DECEMBER 1986

	<u>Notes</u>	<u>1986</u> £'000	<u>1985</u> £'000
<b>FIXED ASSETS</b>			
Tangible assets	10	2,951	-
<b>CURRENT ASSETS</b>			
Stocks	12	1,722	-
Debtors	13	2,715	2,557
Cash and deposits	14	<u>300</u>	<u>-</u>
		<u>4,737</u>	<u>2,557</u>
<b>CURRENT LIABILITIES</b>			
Creditors - Amounts falling due within one year	15	(4,681)	-
		<u>56</u>	<u>2,557</u>
<b>NET CURRENT ASSETS</b>			
		<u>3,007</u>	<u>2,557</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>3,007</u>	<u>2,557</u>
<b><u>FINANCED BY:</u></b>			
Creditors - Amounts falling due after one year	16	42	-
Loan from parent company		1,479	1,425
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	631	631
Share premium account		213	213
Capital redemption reserve		90	90
Profit and loss account	19	<u>552</u>	<u>198</u>
		<u>3,007</u>	<u>2,557</u>

Approved by the Board on 4 March 1987

S M BATES

Director

M J FOX

Director

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 1986

	<u>1986</u> £'000
<b>SOURCE OF FUNDS</b>	
Profit before taxation	1,240
Adjustments for item not involving the movement of funds:	
Depreciation	<u>228</u>
<b>TOTAL GENERATED FROM OPERATIONS</b>	<b>1,468</b>
<b>FUNDS FROM OTHER SOURCES</b>	
Sales of tangible fixed assets	10
Group loan received	<u>54</u>
	<b>1,532</b>
<b>APPLICATION OF FUNDS</b>	
Purchase of net trading assets from a fellow subsidiary company	(2,588)
Purchases of tangible fixed assets	(1,243)
Dividends paid	<u>(155)</u>
	<b>(2,454)</b>
<b>DECREASE IN WORKING CAPITAL</b>	
Stocks - decrease	832
Debtors - decrease	2,248
Creditors - (decrease)	<u>(698)</u>
	<b>2,382</b>
<b>REDUCTION IN BORROWINGS</b>	
Movement in net liquid funds:	
Decrease in bank and cash balances	<u>(72)</u>
<b>NET TRADING ASSETS ACQUIRED</b>	
Fixed assets at net book value	1,946
Stocks	2,554
Debtors	2,406
Bank and cash balances	372
Creditors	<u>(4,690)</u>
	<b>2,588</b>

## NOTES ON THE ACCOUNTS

## 1 ACCOUNTING POLICIES

Basis of accounts preparation

The financial statements have been prepared under the historical cost convention, and in accordance with s228 of, and Schedule 4 to, the Companies Act 1985.

Depreciation

Depreciation of tangible fixed assets is on the straight line basis calculated at annual rates estimated to write off each asset over the term of its useful life and is generally charged as follows:

- a Freehold improvements at 2%
- b Plant, machinery and equipment at rates ranging between 7 1/2% and 33 1/3%.

Leased assets

Fixed assets acquired under finance leasing contracts are recorded in the balance sheet as tangible fixed assets at their equivalent capital value and are depreciated over the useful life of the asset. The corresponding liability is recorded as a creditor and the interest element of the finance charge is charged to the profit and loss account over the primary lease period.

Deferred taxation

Deferred taxation relating to capital allowances and other timing differences is provided in the accounts only in so far as a liability is likely to arise in the foreseeable future.

Stocks

Stocks and work in progress are valued at the lower of cost, including an appropriate proportion of overheads, and net realisable value.

Foreign currencies

Assets and liabilities to be settled in foreign currency, which are matched by forward currency contracts at fixed rates, are converted at rates equivalent to those contracts. Other assets and liabilities in foreign currencies are converted into sterling at the rates of exchange ruling at the balance sheet date.

General

Expenditure on research and development, patents, trade marks and repairs and renewals are charged to revenue in the year in which the expenditure is incurred.

NOTES ON THE ACCOUNTS (CONTINUED)

2 TURNOVER

Turnover represents the amount receivable in the ordinary course of business for goods sold and services provided after deducting value added tax.

3 ANALYSIS OF TURNOVER AND PROFIT BEFORE TAXATION

Analysis of turnover and profit before taxation has not been disclosed because in the opinion of the directors disclosure would be significantly prejudicial to the interests of the company.

Turnover by geographical market:

	1986 £'000
United Kingdom	10,865
EEC except UK	3,540
Rest of the world	646
	<u>15,051</u>

4 COSTS, LESS OTHER INCOME

	1986	
	£'000	£'000
Change in stocks of finished goods and work in progress		(1,294)
Own work capitalised		(13)
Raw materials and consumables		10,412
Hire of plant		2
Auditors' remuneration		6
Other external charges		2,262
Staff costs (see note 5)		1,940
Depreciation of tangible fixed assets:		
Owned assets	219	
Leased assets under finance leases	<u>9</u>	<u>228</u>
		<u>13,543</u>

5 STAFF COSTS AND EMPLOYEES

	1986 £'000
Wages and salaries	1,688
Social security costs	129
Other pension costs	123
	<u>1,940</u>

The average number of persons employed by the company during the year was 154.

Analysis of employees by category

	1986
UK employees	<u>154</u>

NOTES ON THE ACCOUNTS (CONTINUED)

6 DIRECTORS' EMOLUMENTS

Details of directors' emoluments were as follows:

	<u>1986</u>
Fees	NIL
Emoluments, including contributions to pension scheme	£85,288

The emoluments of the chairman and the highest paid director were £35,793.

The individual directors' emoluments were in the following ranges:

	<u>Number of directors</u>
	<u>1986</u>
Up to £5,000	1
£20,001 to £25,000	2
£35,001 to £40,000	1

7 INTEREST

Intra-group interest payable  
External interest receivable

1986  
£'000

295  
(27)  
268

8 TAXATION

Taxation for the year is arrived at as follows:  
Corporation tax at 36.25% on profits for the year

1986  
£'000

335

In accordance with the company's accounting policy, provision for deferred tax is made only in respect of liabilities likely to arise in the foreseeable future. Had full provision for deferred tax been made, there would have been an additional charge to the profit and loss account of £607,000.

NOTES ON THE ACCOUNTS (CONTINUED)

9 DIVIDENDS

	<u>1986</u> £'000	<u>1985</u> £'000
Interim dividend paid	155	-
Final dividend proposed	396	-
Subvention receipt	-	(840)
	<u>551</u>	<u>(840)</u>

10 TANGIBLE FIXED ASSETS

	<u>Freehold improvements</u> £'000	<u>Plant, machinery and equipment</u> £'000	<u>Total</u> £'000
<u>Cost</u>			
At 1 January 1986	-	-	-
Capital expenditure	53	1,160	1,213
Intra group transfers	-	3,074	3,074
Disposals and adjustments	-	(12)	(12)
At 31 December 1986	<u>53</u>	<u>4,222</u>	<u>4,275</u>
<u>Depreciation</u>			
At 1 January 1986	-	-	-
Intra group transfers	-	1,108	1,108
Disposals for the year	-	(12)	(12)
Charge for the year	-	228	228
At 31 December 1986	<u>-</u>	<u>1,324</u>	<u>1,324</u>
<u>Net book amount</u>			
31 December 1986	<u>53</u>	<u>2,898</u>	<u>2,951</u>
31 December 1985	<u>NIL</u>	<u>NIL</u>	<u>NIL</u>

Expenditure on freehold improvements has been incurred on freehold property owned by a fellow subsidiary company, and is not depreciated in the year of expenditure.

Leased assets included above comprise:

	<u>Plant, machinery and equipment</u>	
	<u>1986</u> £'000	<u>1985</u> £'000
Cost:	121	-
Depreciation	(21)	-
Net book amount	<u>100</u>	<u>NIL</u>

## NOTES ON THE ACCOUNTS (CONTINUED)

## 11 CAPITAL SANCTIONS AND COMMITMENTS

Capital expenditure

Capital expenditure sanctioned by the Board and outstanding at 31 December 1986 amounted to approximately £418,000 (1985 : £NIL). Contracts placed against these sanctions so far as not provided for in these accounts amounted to approximately £215,000 (1985 : £NIL).

Operating leases

The payments under operating leases which are due to be made in the next year, analysed over the periods when the leases expire, are as follows:

	<u>Land and buildings</u>		<u>Other leases</u>	
	<u>1986</u> £'000	<u>1985</u> £'000	<u>1986</u> £'000	<u>1985</u> £'000
Within one year	110	-	-	-
Between one and five years	-	-	17	-
	<u>110</u>	<u>-</u>	<u>17</u>	<u>-</u>

## 12 STOCKS

	<u>1986</u> £'000	<u>1985</u> £'000
Raw materials and consumables	347	-
Work in progress	1,294	-
Other stocks	81	-
	<u>1,722</u>	<u>NIL</u>

The replacement cost of stocks is not materially different from the above.

## 13 DEBTORS

	<u>1986</u> £'000	<u>1985</u> £'000
Amounts falling due within one year:		
Trade debtors	2,606	-
Amounts owed by group companies	-	2,557
Other debtors	55	-
Prepayments and accrued income	54	-
	<u>2,715</u>	<u>2,557</u>

NOTES ON THE ACCOUNTS (CONTINUED)

14 CASH AND DEPOSITS

	<u>1986</u> £'000	<u>1985</u> £'000
Cash at bank and in hand	300	NIL

15 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1986</u> £'000	<u>1985</u> £'000
Trade creditors	1,901	-
Amounts owed to group companies	1,988	-
Corporation tax	335	-
Other taxation and social security	17	-
Accruals and deferred income	27	-
Proposed dividend	396	-
Current obligations under finance leases	17	-
	<u>4,681</u>	<u>NIL</u>

16 CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR

	<u>1986</u> £'000	<u>1985</u> £'000
Non-current obligations under finance leases	42	NIL

17 PROVISIONS FOR LIABILITIES AND CHARGES

The potential amount of deferred taxation at 31 December 1986, calculated on the liability method, at 35% (1985 : 35%), is:

	<u>1986</u> £'000	<u>1985</u> £'000
Accelerated capital allowances	613	-
Other timing differences	(6)	-
	<u>607</u>	<u>NIL</u>

18 CALLED UP SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	<u>1986</u> £'000	<u>1985</u> £'000	<u>1986</u> £'000	<u>1985</u> £'000
8% cumulative redeemable preference shares of £1 each	90	90	-	-
Ordinary shares of £1 each	<u>635</u>	<u>635</u>	<u>631</u>	<u>631</u>
	<u>725</u>	<u>725</u>	<u>631</u>	<u>631</u>

NOTES ON THE ACCOUNTS (CONTINUED)

19 PROFIT AND LOSS ACCOUNT

	£'000
At 1 January 1986	198
Transfer from profit and loss account	<u>354</u>
At 31 December 1986	<u>552</u>

20 ULTIMATE HOLDING COMPANY

The company's ultimate holding company is TI Group plc, a company incorporated in England.