

ARTHUR ANDERSEN

Standard Products Limited and subsidiary undertakings

Financial statements 30 June 1997
together with directors' and auditors' reports

Registered number: 258607



Directors' report

The directors present their annual report on the affairs of the group together with the financial statements and auditors' report for the year ended 30 June 1997.

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 group and of the profit or loss of the group 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 group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity and business review

The principal activity of the group continues to be the manufacture of extruded rubber and plastic components for the motor and allied industries.

Group turnover decreased by £1,694,000 (2.7%) during the year and group pre tax profits decreased by £1,178,000 (12.8%). The directors expect the general level of activity to continue.

Results and dividends

Group results are as follows:

	£000
Accumulated profit at 30 June 1996	1,182
Profit for the year after taxation	5,632
Accumulated profit at 30 June 1997	<u>6,814</u>

The directors have not recommended the payment of a dividend.

Directors' report (continued)

Directors

The directors who served during the year were:

M J Anderson
A G Coates
D S Harris
J F Keys (USA)
S J Levitt
R J Marshall (USA) (Non Executive - Resigned 16 July 1996)
J S Reid Jnr (USA)
P A Rowlings
P C Woods (Resigned 30 September 1996)
T K Zampetis (USA)

The directors do not have any interests in the shares of group companies required to be disclosed under Schedule 7 of the Companies Act 1985.

Charitable and political contributions

The group contributed £5,027 (1996 - £4,411) to charities during the year. No political contributions were made.

Employment of disabled persons

The group is conscious of its legal and moral obligations for the health, safety and welfare of all its employees. These obligations are fully considered in any employment decision, including recruitment, training and career development relating to disabled persons.

Employee consultation

The group places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees and on the various factors influencing the performance of the group. This is achieved through regular consultation over decisions likely to affect their interests.

Auditors

The directors will place a resolution before a general meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

Dryden House
St John's Street
Huntingdon
PE18 6DD

By order of the Board,



M J Anderson
Secretary

13 October 1997

Auditors' report

Cambridge

To the Shareholders of Standard Products Limited:

We have audited the financial statements on pages 4 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 9.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the 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 an 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 circumstances of the company and of the group, 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 affairs of the company and of the group at 30 June 1997 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Betjeman House
104 Hills Road
Cambridge
CB2 1LH

13 October 1997

Consolidated profit and loss account

For the year ended 30 June 1997

	Notes	1997 £000	1996 £000
Turnover	2	60,522	62,216
Cost of sales		(47,017)	(49,060)
Gross profit		13,505	13,156
Other operating expenses (net)	3	(6,449)	(4,868)
Operating profit		7,056	8,288
Exceptional item: recovery of bad debt	4	600	-
Exceptional item: write off of unremittable cash	4	(974)	-
Interest receivable and similar income		1,603	1,051
Interest payable and similar charges	5	(253)	(129)
Profit on ordinary activities before taxation	6	8,032	9,210
Tax on profit on ordinary activities	8	(2,400)	(1,505)
Retained profit for the year	17	5,632	7,705

There are no recognised gains or losses in either year other than the retained profit for each year.

All of the results are derived from continuing activities.

The accompanying notes are an integral part of this consolidated profit and loss account.

Consolidated balance sheet

30 June 1997

	Notes	1997 £000	1996 £000
Fixed assets			
Intangible assets	9	91	117
Tangible assets	10	22,096	18,109
Investments	11	14	14
		<u>22,201</u>	<u>18,240</u>
Current assets			
Stocks	12	3,133	2,576
Debtors	13	34,335	34,525
Cash at bank and in hand		285	63
		<u>37,753</u>	<u>37,164</u>
Creditors: Amounts falling due within one year	14	<u>(14,332)</u>	<u>(15,779)</u>
Net current assets		<u>23,421</u>	<u>21,385</u>
Total assets less current liabilities		<u>45,622</u>	<u>39,625</u>
Provisions for liabilities and charges	15	<u>(1,480)</u>	<u>(1,115)</u>
Net assets		<u>44,142</u>	<u>38,510</u>
Capital and reserves			
Called-up share capital	16	34,954	34,954
Other reserves	17	2,374	2,374
Profit and loss account	17	6,814	1,182
Shareholders' funds - all equity	18	<u>44,142</u>	<u>38,510</u>

The accompanying notes are an integral part of this consolidated balance sheet.

Company balance sheet

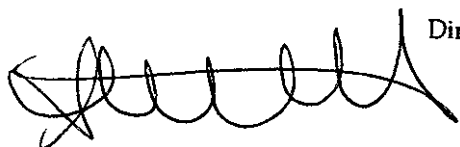
30 June 1997

	Notes	1997 £000	1996 £000
Fixed assets			
Intangible assets	9	91	117
Tangible assets	10	21,515	17,450
Investments	11	585	585
		<u>22,191</u>	<u>18,152</u>
Current assets			
Stocks	12	2,593	2,436
Debtors	13	34,296	34,774
Cash at bank and in hand		254	101
		<u>37,143</u>	<u>37,311</u>
Creditors: Amounts falling due within one year	14	<u>(13,561)</u>	<u>(15,599)</u>
Net current assets		<u>23,582</u>	<u>21,712</u>
Total assets less current liabilities		<u>45,773</u>	<u>39,864</u>
Provisions for liabilities and charges	15	<u>(1,480)</u>	<u>(1,115)</u>
Net assets		<u>44,293</u>	<u>38,749</u>
Capital and reserves			
Called-up share capital	16	34,954	34,954
Other reserves	17	2,374	2,374
Profit and loss account	17	6,965	1,421
Shareholders' funds - all equity		<u>44,293</u>	<u>38,749</u>

Signed on behalf of the Board

S J Levitt

Director



M J Anderson

Director



13 October 1997

The accompanying notes are an integral part of this balance sheet.

Notes to financial statements

30 June 1997

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) *Basis of accounting*

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards.

b) *Basis of consolidation*

The group financial statements consolidate the financial statements of Standard Products Limited and its subsidiary undertakings, made up to 30 June 1997. The results of subsidiary undertakings acquired in the period are included in the consolidated profit and loss account from the date of acquisition. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition.

In the company's financial statements, investments in subsidiary undertakings are stated at cost, less amounts written off.

No profit and loss account is presented for Standard Products Limited as provided by Section 230 of the Companies Act 1985. An amount of £5,544,000 (1996 - £7,680,000) of the consolidated profit relates to the company only.

c) *Intangible fixed assets*

Intangible fixed assets are recorded at cost and amortised over their estimated useful lives.

d) *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset, on a straight-line basis, over its expected useful life, as follows:

Freehold buildings	- 25 years
Plant and machinery	- 10 years
Furniture and fixtures	- 10 years
Tools and utensils	- 3-4 years
Computer software	- 3-4 years
Computer hardware	- 4-7 years
Motor vehicles	- 4 years
Leasehold property	- Over the term of the lease

Residual value is calculated on prices prevailing at the date of acquisition. Profits or losses on the disposal of fixed assets are included in the calculation of operating profit.

Notes to financial statements (continued)

1 Accounting policies (continued)

d) *Tangible fixed assets (continued)*

Capital work-in-progress is depreciated from the date the asset is brought into use.

e) *Stocks*

Stocks are stated at the lower of cost, on a first-in first-out basis, and net realisable value, after making due allowance for any obsolete or slow-moving items. In the case of finished goods and work-in-progress, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

f) *Taxation*

Corporation tax payable is provided at the current rate on the taxable profit for the period.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

g) *Turnover*

Group turnover comprises the value of sales, net of value added tax, returns and allowances.

h) *Foreign currency*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

i) *Government grants*

Government grants relating to tangible fixed assets are accounted for by crediting the grants receivable to a deferred grants account which is amortised over the lives of the related assets.

Grants receivable in respect of revenue expenditure are credited to the profit and loss account in the periods in which the expenditure is incurred or the requirements of the grant have been satisfied.

Notes to financial statements (continued)

1 Accounting policies (continued)

j) Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

k) Pension costs

The group operates a defined contribution pension and life assurance scheme. All contributions are charged to the profit and loss account in the period to which they relate. For further details see note 19.

l) Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 (Revised) "Cash flow statements" to present a cash flow statement as it is a wholly owned subsidiary and the consolidated financial statements of the parent company are publicly available.

2 Segment information

In the opinion of the directors the disclosure of turnover by geographical region would be seriously prejudicial to the interests of the group.

3 Other operating expenses (net)

	1997 £000	1996 £000
Administration and other operating costs	<u>6,449</u>	<u>4,868</u>

4 Exceptional items

The exceptional item of £600,000 relates to cash received against a debt from a fellow subsidiary undertaking which is in liquidation. This debt was disclosed as an exceptional cost in the 1995 statutory accounts.

The exceptional cost of £974,000 relates to the write off of a debt from a fellow subsidiary undertaking which is irrecoverable due to government restrictions.

Notes to financial statements (continued)

5 Interest payable and similar charges

	1997 £000	1996 £000
On bank loans and overdrafts, and other loans		
- repayable within five years, by instalments	14	30
- repayable within five years, not by instalments	239	99
	<u>253</u>	<u>129</u>

Included in the above is the interest element of charges payable under finance leases amounting to £14,000 (1996 - £30,000).

6 Profit on ordinary activities before taxation

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

	1997 £000	1996 £000
Profit on sale of fixed assets	(1)	(1)
Depreciation and amounts written off		
i) intangible fixed assets	26	26
ii) tangible fixed assets		
- owned assets	3,228	2,912
- assets held under finance leases	264	329
Release of deferred grant income	(450)	(250)
Operating lease rentals on		
- motor vehicles and equipment	451	487
- land and buildings	462	462
Auditors' remuneration		
- audit	39	39
- non-audit	<u>11</u>	<u>4</u>

Notes to financial statements (continued)

7 Staff costs

Particulars of employees (including executive directors) are as shown below.

Employee costs during the year amounted to:	1997 £000	1996 £000
Wages and salaries	21,556	21,485
Social security costs	1,620	1,523
Pension costs	884	731
	<u>24,060</u>	<u>23,739</u>

The average monthly number of persons employed by the group during the year was 1,198 (1996 - 1,191).

Directors' remuneration:

Remuneration in respect of directors of the group was as follows:

	1997 £000	1996 £000
Emoluments	437	407
Company contributions to money purchase schemes	35	30
	<u>472</u>	<u>437</u>

Highest paid director:

	1997 £000	1996 £000
Emoluments	141	124
Company contributions to money purchase schemes	12	10
	<u>153</u>	<u>134</u>

Pensions:

Retirement benefits are accruing under money purchase schemes in respect of qualifying service for 5 (1996 - 5) of the company's directors.

Notes to financial statements (continued)

8 Tax on profit on ordinary activities

The tax charge is based on the profit for the year, after adjusting for certain items which are not deductible for tax purposes, and comprises:

	1997 £000	1996 £000
Corporation tax		
- Tax charge for current year	2,164	390
- Over provision in prior year	(129)	-
Deferred taxation	365	1,115
	<u>2,400</u>	<u>1,505</u>

9 Intangible fixed assets

	Group and Company	
	1997 £000	1996 £000
Marketing agreement	<u>91</u>	<u>117</u>

The movement in the year was as follows:

	Group and Company	
	1997 £000	1996 £000
Cost		
Beginning and end of year	204	204
Amounts written off		
Beginning of year	87	61
Write off in the year	26	26
End of year	<u>113</u>	<u>87</u>
Net book value	<u>91</u>	<u>117</u>

The amount represents the cost to the group of a world-wide marketing agreement entered into by Standard Products Co., the company's parent undertaking, on 1 February 1993 and is to be amortised over a period of 8 years.

Notes to financial statements (continued)

10 Tangible fixed assets

a) The movement during the year was as follows:

Group	Land and Buildings Freehold	Leasehold	Plant, machinery tools and utensils	Furniture and fixtures	Computer software	Computer hardware	Capital work-in- progress	Motor Vehicles	Total
Cost	£000	£000	£000	£000	£000	£000	£000	£000	£000
Beginning of year	6,462	10	25,926	1,654	655	1,690	1,120	229	37,746
Additions	24	-	1,528	58	71	207	5,709	-	7,597
Disposals	-	-	(420)	-	-	-	(106)	(28)	(554)
Transfers	-	-	811	21	-	51	(883)	-	-
End of year	6,486	10	27,845	1,733	726	1,948	5,840	201	44,789
Accumulated depreciation									
Beginning of year	2,123	2	14,933	1,059	438	956	-	126	19,637
Charge	246	1	2,606	131	135	324	-	49	3,492
Disposals	-	-	(418)	-	-	-	-	(18)	(436)
End of year	2,369	3	17,121	1,190	573	1,280	-	157	22,693
Net book value									
Beginning of year	4,339	8	10,993	595	217	734	1,120	103	18,109
End of year	4,117	7	10,724	543	153	668	5,840	44	22,096

Notes to financial statements (continued)

10 Tangible fixed assets (continued)

Company	Land and Buildings Freehold	Leasehold	Plant, machinery tools and utensils	Furniture and fixtures	Computer software	Computer hardware	Capital work-in- progress	Motor vehicles	Total
Cost	£000	£000	£000	£000	£000	£000	£000	£000	£000
Beginning of year	6,287	10	25,288	1,612	654	1,476	1,120	202	36,649
Additions	24	-	1,486	47	71	207	5,709	-	7,544
Disposals	-	-	(389)	-	-	-	(106)	(28)	(523)
Transfers	-	-	811	21	-	51	(883)	-	-
End of year	6,311	10	27,196	1,680	725	1,734	5,840	174	43,670
Accumulated depreciation									
Beginning of year	2,109	2	14,620	1,046	438	883	-	101	19,199
Charge	242	1	2,543	126	135	267	-	47	3,361
Disposals	-	-	(387)	-	-	-	-	(18)	(405)
End of year	2,351	3	16,776	1,172	573	1,150	-	130	22,155
Net book value									
Beginning of year	4,178	8	10,668	566	216	593	1,120	101	17,450
End of year	3,960	7	10,420	508	152	584	5,840	44	21,515

Notes to financial statements (continued)

10 Tangible fixed assets (continued)

Freehold land held by the group amounting to £69,000 (1996 - £69,000) has not been depreciated.

Cumulative interest costs capitalised included in the cost of tangible fixed assets amount to £1,204,000 (1996 - £1,204,000) for both the group and the company.

The net book value of assets held under finance leases at the year end was nil (1996 - £264).

b) The company's capital commitments at the end of the year were as follows:

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
Contracts for capital expenditure not provided for	1,470	1,919	1,470	1,919

c) Operating lease commitments:

The group has commitments in respect of an operating lease for a factory. The minimum future annual rentals under the lease are approximately £462,000 with rent reviews every 5 years. The lease expires in 2014 although the company may cancel the lease, at its option, in 1999.

The group has also entered into short-term leases in respect of motor vehicles and equipment. The total annual rental for these leases was £451,000 (1996 - £487,000).

Notes to financial statements (continued)

10 Tangible fixed assets (continued)

The minimum future annual rentals under the foregoing leases are as follows:

	Group		Company	
	Property £000	Motor vehicles & equipment £000	Property £000	Motor vehicles & equipment £000
1997				
Operating leases which expire:				
- within one year	-	39	-	35
- within 2 - 5 years	-	216	-	215
- after 5 years	462	-	462	-
	<u>462</u>	<u>255</u>	<u>462</u>	<u>250</u>
1996				
Operating leases which expire:				
- within one year	20	23	-	23
- within 2 - 5 years	-	198	-	192
- after 5 years	462	1	462	-
	<u>482</u>	<u>222</u>	<u>462</u>	<u>215</u>

11 Fixed asset investments

Investments in subsidiary undertakings:

	Group		Company	
	1997 £000	1996 £000	1997 £000	1996 £000
Standard Products Mould & Tool Company Limited	-	-	571	571
SPI Technistan	14	14	14	14
	<u>14</u>	<u>14</u>	<u>585</u>	<u>585</u>

	Country of Incorporation	Principal Activity	Holding	%
Standard Products Mould & Tool Company Limited	England	Manufacture and sale of moulds	Direct	100
SPI Technistan	France	Research and development	Direct	1%

Standard Products Mould & Tool Company Limited changed its name from Bird Mould & Tool Co Limited by special resolution on 3 February 1997.

The company also owns the whole of the ordinary share capital of 100 £1 shares of the Huntingdon Rubber Company Limited, a dormant company registered in England.

Notes to financial statements (continued)

12 Stocks

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
Raw materials	1,418	902	1,333	854
Work-in-progress	999	935	579	852
Finished goods	716	739	681	730
	<u>3,133</u>	<u>2,576</u>	<u>2,593</u>	<u>2,436</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

13 Debtors

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	11,595	10,661	11,595	10,661
Due from other group undertakings	1,320	1,818	1,308	2,103
Other debtors	38	27	37	27
Prepayments and accrued income	417	419	391	383
	<u>13,370</u>	<u>12,925</u>	<u>13,331</u>	<u>13,174</u>

Amounts falling due after more than one year:

Due from other group undertakings	20,965	21,600	20,965	21,600
	<u>34,335</u>	<u>34,525</u>	<u>34,296</u>	<u>34,774</u>

Notes to financial statements (continued)

14 Creditors: Amounts falling due within one year

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
Obligations under finance leases	49	201	49	201
Trade creditors	4,816	4,879	4,701	4,751
Due to holding company	1,136	948	1,136	948
Due to other group undertakings	1,020	3,894	425	3,894
Social security and PAYE	721	659	709	647
VAT	36	91	26	55
Corporation tax	2,071	399	2,071	399
Accruals and deferred income	4,483	4,708	4,444	4,704
	<u>14,332</u>	<u>15,779</u>	<u>13,561</u>	<u>15,599</u>

15 Provisions for liabilities and charges

	Deferred taxation £000
Group and Company	
At beginning of year	1,115
Charged to profit and loss account	365
At end of year	<u>1,480</u>

All deferred taxation liabilities have been provided for as at 30 June 1997.

Deferred taxation liability consists of:

	Provided	
	1997	1996
	£000	£000
Group and company		
Accelerated capital allowances	1,774	1,123
Other timing differences	(294)	(8)
	<u>1,480</u>	<u>1,115</u>

Notes to financial statements (continued)

16 Called-up share capital

	1997 £000	1996 £000
<i>Authorised:</i>		
600,000 ordinary shares of 1p each	6	6
39,994,000 deferred ordinary shares of £1 each	39,994	39,994
	<u>40,000</u>	<u>40,000</u>
<i>Allotted, called-up and fully paid:</i>		
600,000 ordinary shares of 1p each	6	6
34,948,197 deferred ordinary shares of £1 each	34,948	34,948
	<u>34,954</u>	<u>34,954</u>

17 Reserves

	1997		
	Other reserves £000	Profit and loss account £000	Total £000
Group			
Beginning of year	2,374	1,182	3,556
Retained profit for year	-	5,632	5,632
End of year	<u>2,374</u>	<u>6,814</u>	<u>9,188</u>
Company			
Beginning of year	2,374	1,421	3,795
Retained profit for year	-	5,544	5,544
End of year	<u>2,374</u>	<u>6,965</u>	<u>9,339</u>

Other reserves represent contributed capital which the holding company invested in the company over a number of years. This reserve is not deemed to be distributable.

18 Reconciliation of movements in shareholders' funds

	1997 £000	1996 £000
Retained profit for year	5,632	7,705
Net addition to shareholders' funds	<u>5,632</u>	<u>7,705</u>
Opening shareholders' funds	38,510	30,805
Closing shareholders' funds	<u>44,142</u>	<u>38,510</u>

Notes to financial statements (continued)

19 Pension scheme

The company operates a defined contribution pension and life assurance scheme which is administered in-house, and is open to employees of the company and subsidiary undertakings. The investment is administered by an insurance company.

The pension expense for the year was £884,000 (1996 - £731,000).

20 Ultimate holding company and related party disclosures

The company is a wholly owned subsidiary undertaking of Standard Products Co., incorporated in Ohio, U.S.A., whose principal place of business is 2401 South Gulley Road, Dearborn, Michigan 48124. The consolidated financial statements of this group are available and may be obtained from the above address.

As a consequence of being wholly owned subsidiary, the company is exempt from the requirement of Financial Reporting Standard No 8 "Related party disclosures" to disclose transactions with other group members.