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Cooper-Standard Automotive UK Sealing Limited

Report and Accounts

31 December 2005

ERNST & YOUNG



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Cooper-Standard Automotive UK Sealing Limited

Registered No: 258607

Directors

M J Anderson
A G Coates
R W Parker

Secretary

M J Anderson

Auditors

Ernst & Young LLP
No. 1 Colmore Square
Birmingham
B4 6HQ

Bankers

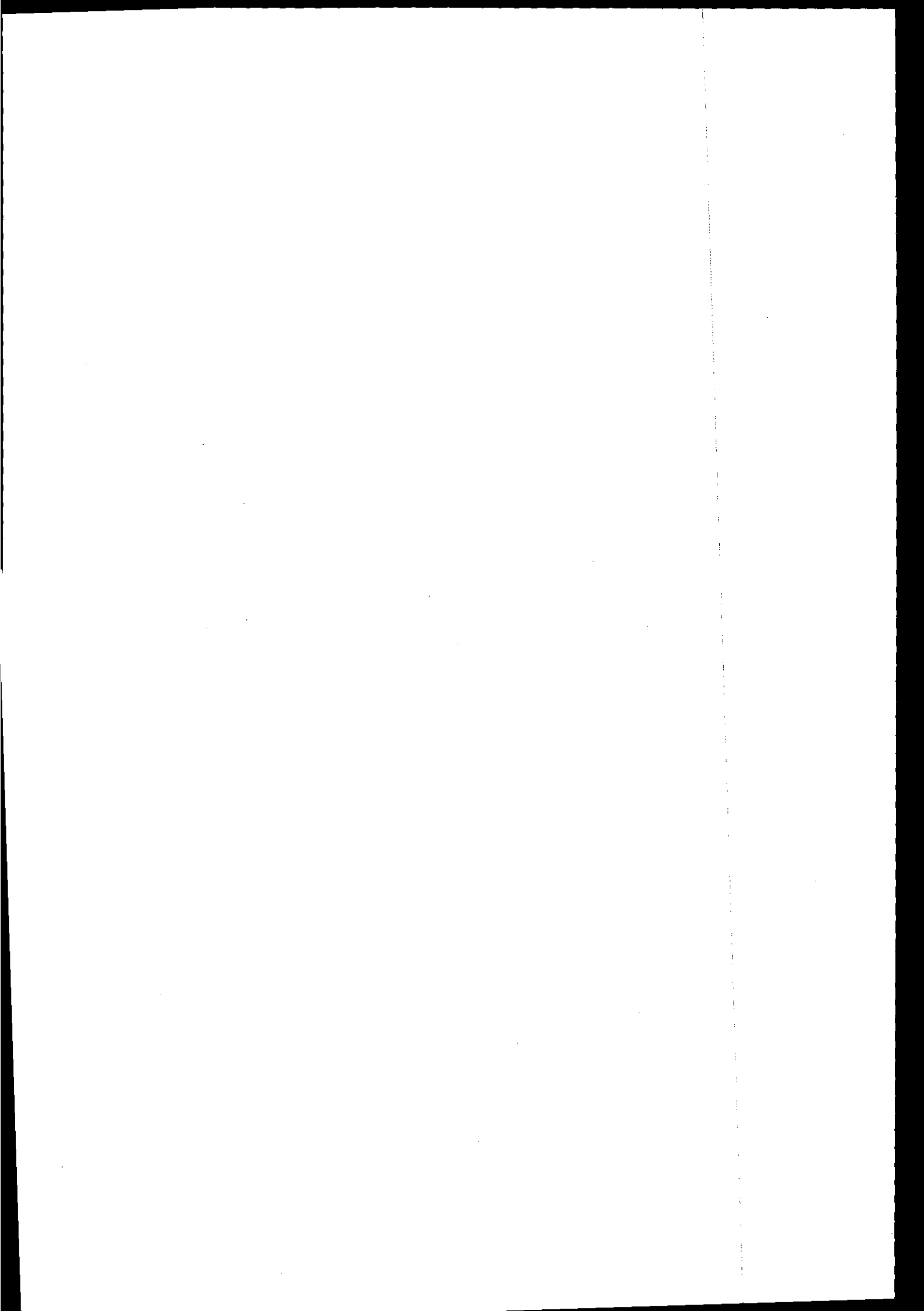
Barclays Bank Plc
Park House
Newbrick Road
Stoke Gifford
Bristol
BS34 8TN

Solicitors

Norton Rose
Kempson House
Cannonville Street
London
EC3A 7AN

Registered Office

Redgrave Close
Park Way
Crosspoint Business Park
Coventry
Warwickshire
CV2 2UU



Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 December 2005.

Results and dividends

The trading loss for the year after taxation amounted to £3,990,000 (2004 – loss – £5,633,000).

Principal activity and business review

The principal activity of the company continues to be the design, sale and manufacture of extruded rubber and plastic components for the motor and allied industries.

Research and development

The group continues to invest in research and development.

Directors and their interests

The directors who served during the year were as follows:

M J Anderson

A G Coates

L J Johnson (resigned 8 April 2005)

G Lukje (resigned 30 September 2005)

In addition, R W Parker was appointed a director on 2 May 2006.

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.

Fixed assets

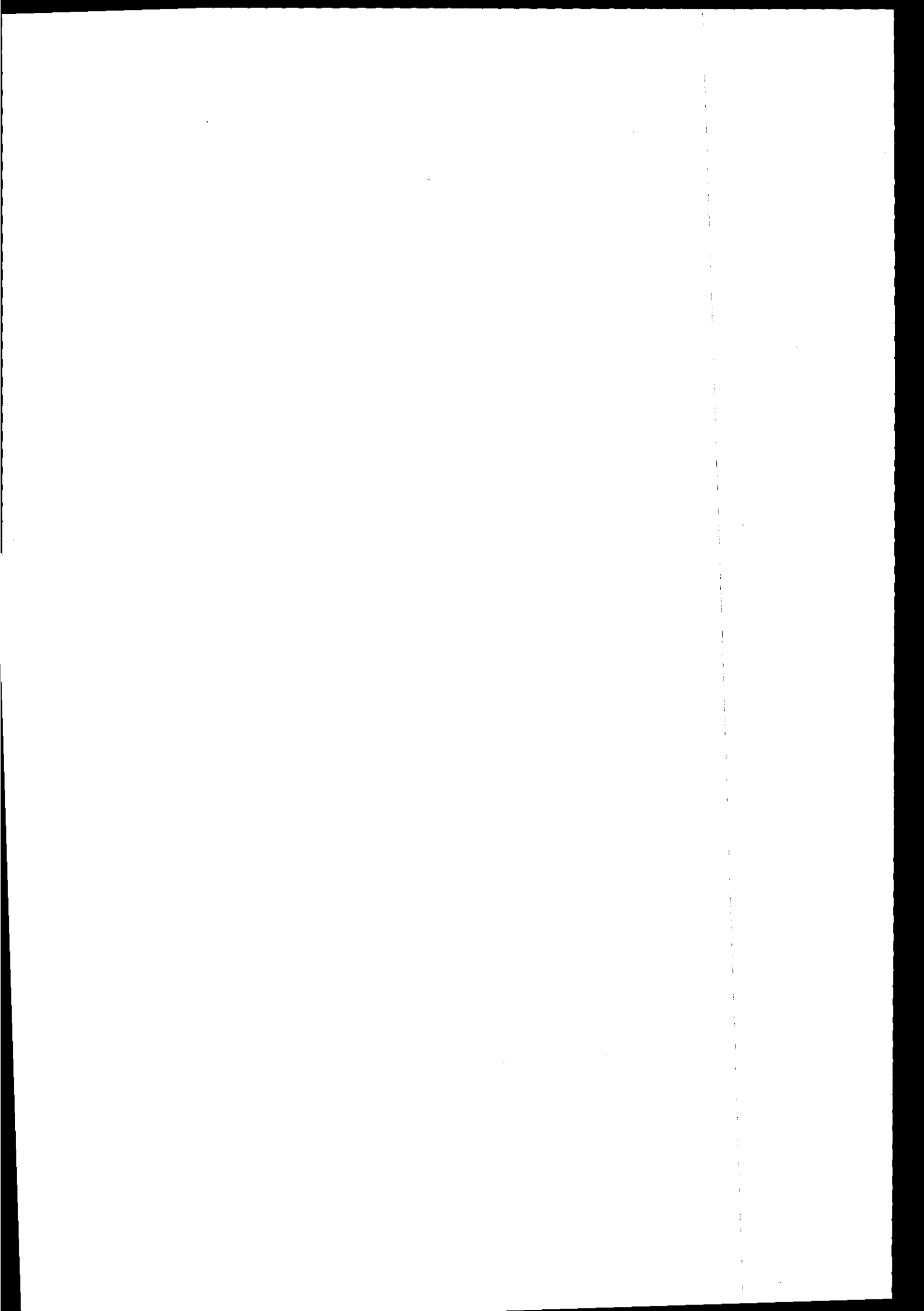
In the opinion of the directors, the current open market value of land and buildings is not less than the book value. Tax will be calculated as and when the property is sold or revalued.

Charitable and political contributions

The group contributed £1,090 (2004 - £1,374) 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. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the group continues and that appropriate training is arranged.



Directors' report

Employee consultation

The company 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 company. This is achieved through regular consultation over decisions likely to affect their interests.

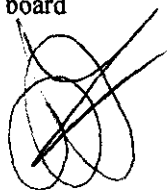
Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

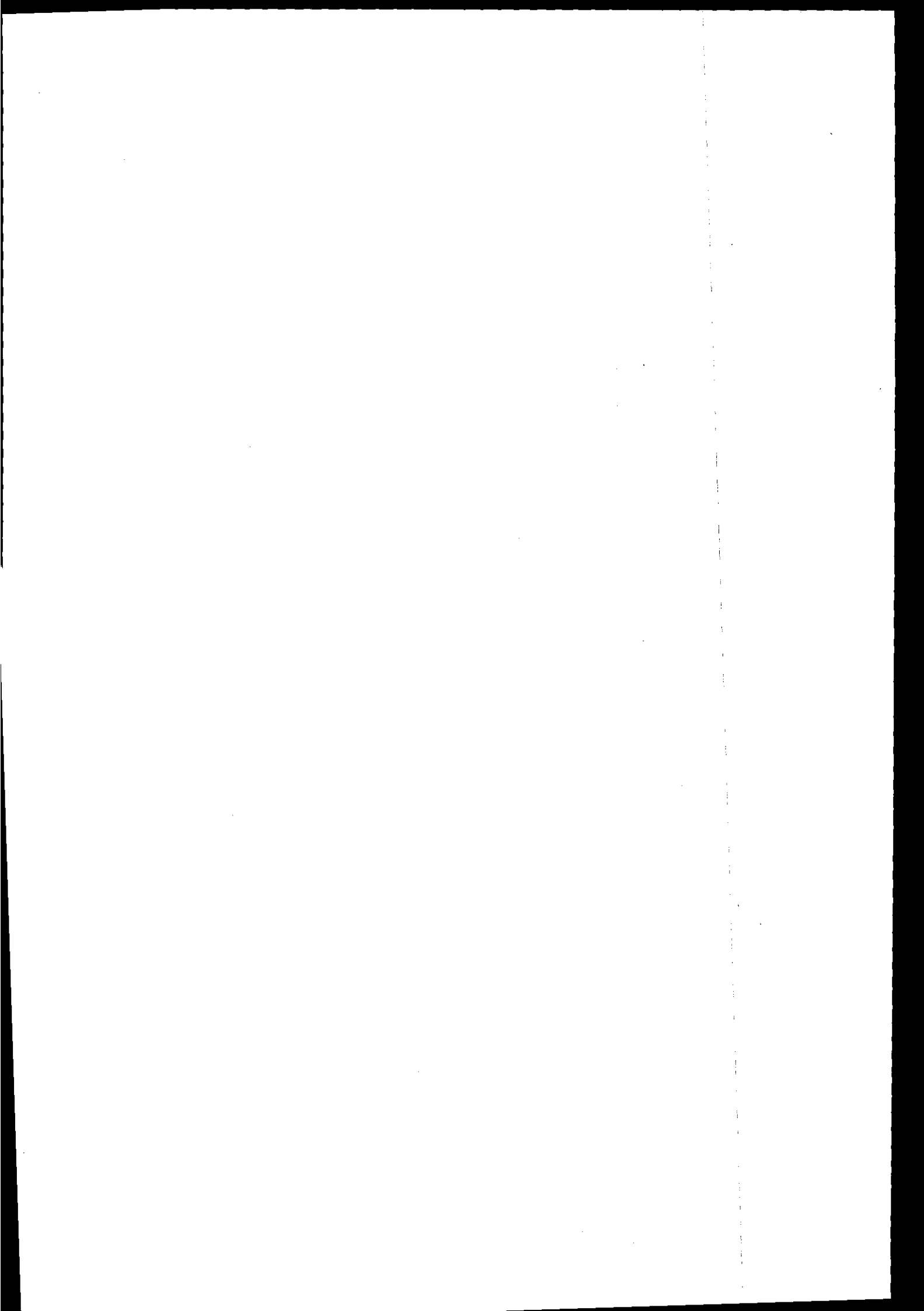
On behalf of the board

M J Anderson

Director



7th September 2006



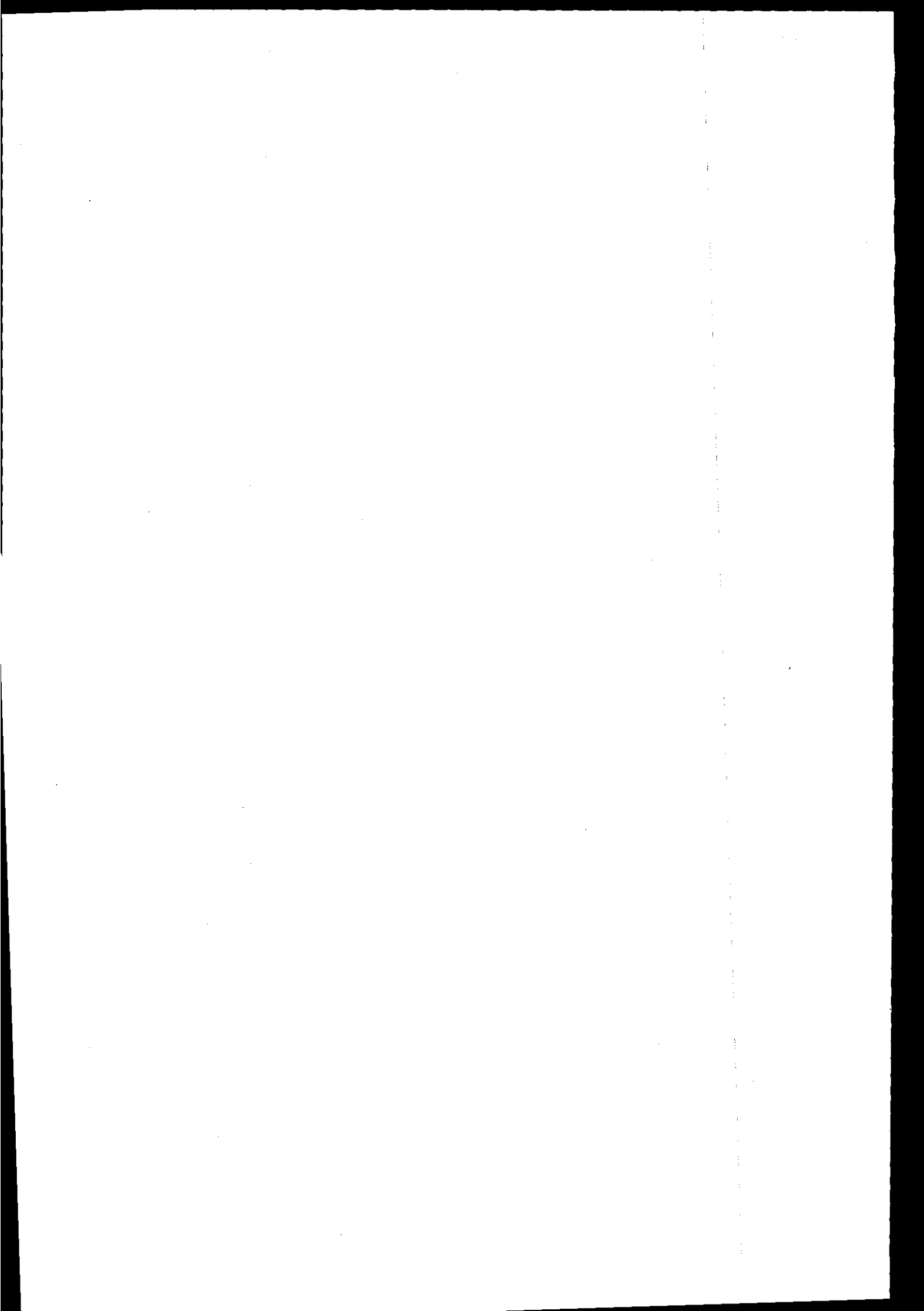
Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.



Independent auditors' report

to the members of Cooper-Standard Automotive UK Sealing Limited

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared on the basis of 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 auditors' 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

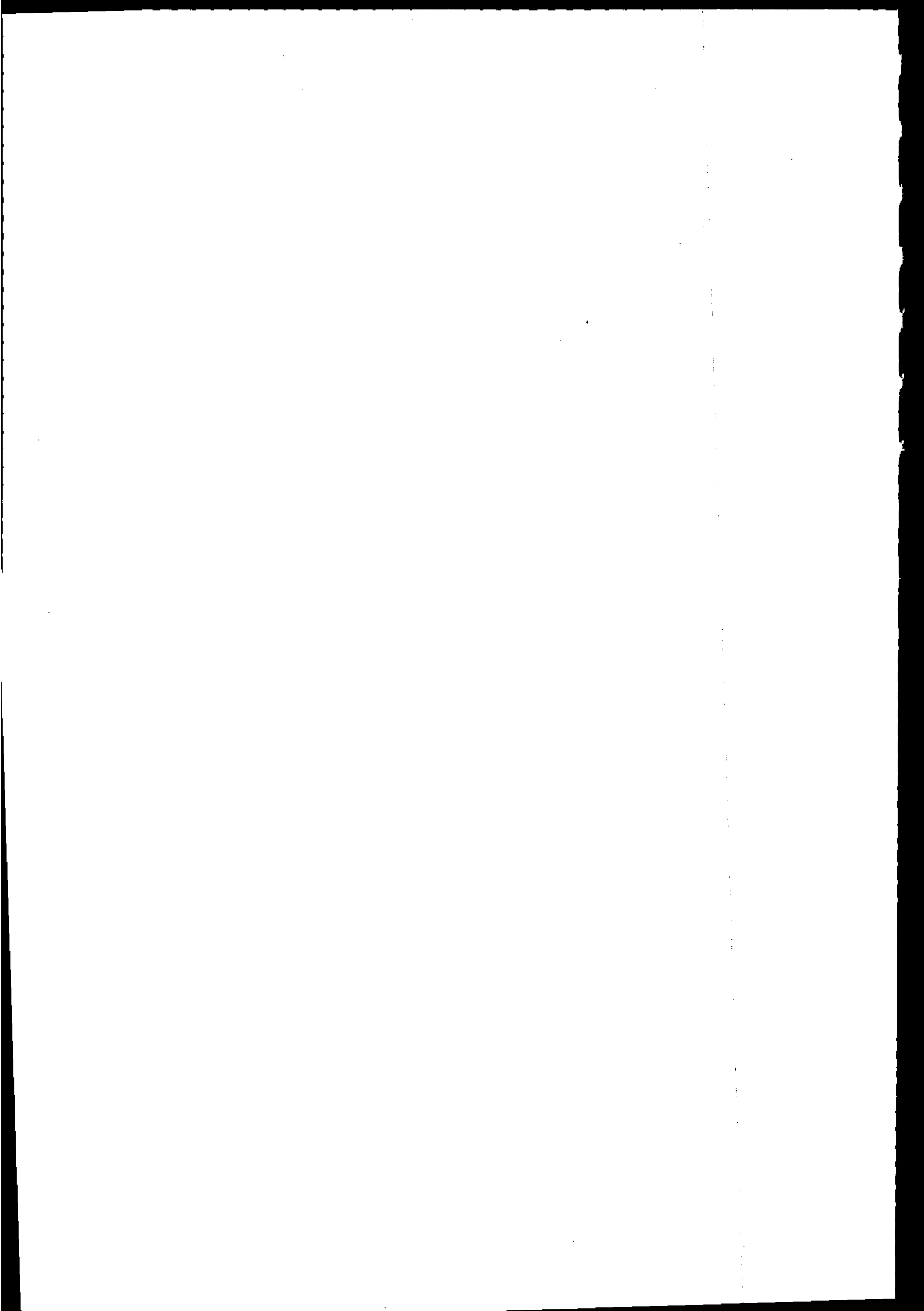
We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept 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 transactions with the group is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 group'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.

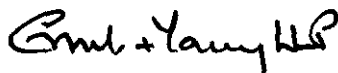


Independent auditors' report

to the members of Cooper-Standard Automotive UK Sealing Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2005 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Exeter

11 September 2006.

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Profit and loss account

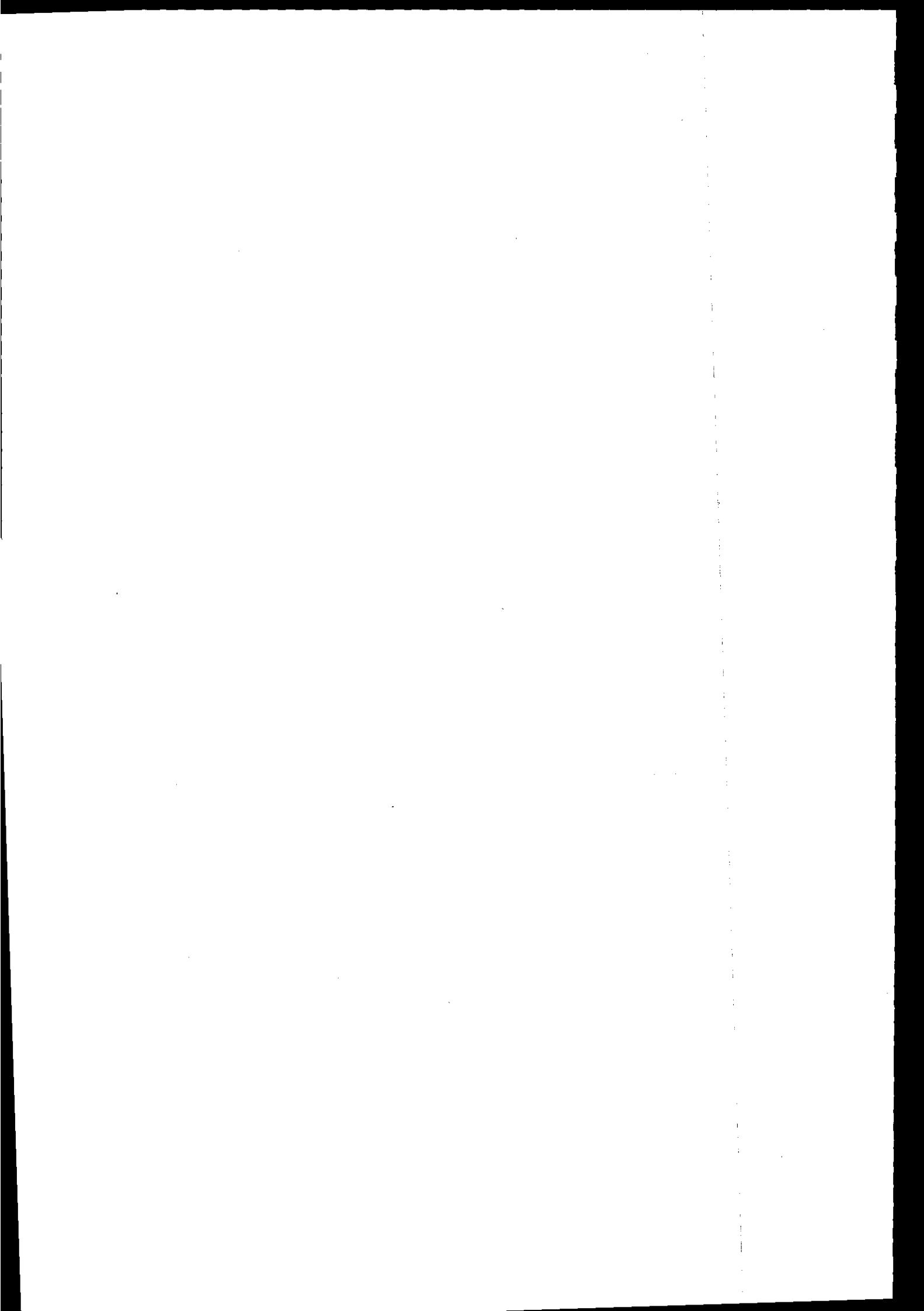
for the year ended 31 December 2005

	Notes	2005 £000	2004 £000
Turnover	2	61,093	46,775
Cost of sales		(58,358)	(46,569)
Gross profit		2,735	206
Other operating expenses	3	(5,526)	(4,051)
Operating loss	4	(2,791)	(3,845)
Loss on termination of operations	5	-	(1,249)
Loss on ordinary activities before interest and taxation		(2,791)	(5,094)
Interest payable and similar charges	6	(1,199)	(539)
Loss on ordinary activities before taxation		(3,990)	(5,633)
Tax on loss on ordinary activities	8	-	-
Loss for the year after taxation	15	(3,990)	(5,633)

Statement of total recognised gains and losses

for the year ended 31 December 2005

There are no recognised gains or losses in either of the above years, other than the loss reported above.



Balance sheet

at 31 December 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Tangible assets	9	9,074	11,053
Current assets			
Stocks	11	5,005	5,913
Debtors	12	19,140	11,983
Cash at bank and in hand		1,301	359
Creditors: amounts falling due within one year	13	25,446 (33,651)	18,255 (24,449)
Net current liabilities		(8,205)	(6,194)
Total assets less current liabilities		869	4,859
Capital and reserves			
Called-up share capital	14	34,954	34,954
Other reserves	15	2,374	2,374
Profit and loss account	15	(36,459)	(32,469)
Shareholders' funds		869	4,859

Signed on behalf of the Board



M J Anderson
Director

7th September 2006

Notes to the financial statements

at 31 December 2005

1. Accounting policies

Fundamental accounting concept

The accounts have been prepared under the going concern concept because the ultimate parent company, Cooper Standard Holdings Inc (US) has agreed to provide sufficient funds to enable the company to continue operating and to meet its liabilities as they fall due.

Basis of accounting

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

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less accumulated depreciation and any provision for impairment.

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

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

Residual value is calculated on prices prevailing at the date of acquisition.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying values may not be recoverable.

Stocks

Stocks are stated at the lower of cost, on a first-in first-out basis, and net realisable value. In the case of finished goods and work-in-progress, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads, based on normal levels of activity.

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.

Taxation

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

Notes to the financial statements

at 31 December 2005

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- 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 rates and laws enacted or substantively enacted at the balance sheet date.

Turnover

Turnover, which is stated net of value added tax, represents amounts receivable for goods and services provided in the normal course of business.

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 the 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.

Government grants

Government grants relating to tangible fixed assets are accounted for by crediting the grants receivable to a deferred income 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.

Research & development

Research and development expenditure is written off as incurred.

Leases

Assets held under finance leases and other similar contracts, 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 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.

Pension costs

The group operates a defined contribution pension and death benefits plan. All contributions are charged to the profit and loss account in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Notes to the financial statements

at 31 December 2005

1. Accounting policies (continued)

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. Turnover

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

Turnover is derived from one class of business and relates to continuing activities.

3. Other operating expenses

	2005 £000	2004 £000
Development and engineering costs	1,576	1,556
Selling and distribution costs	1,308	738
Administrative expenses	2,642	1,757
	<u>5,526</u>	<u>4,051</u>

4. Operating loss

Operating loss is stated after charging the following:

	2005 £000	2004 £000
Loss on disposal of fixed assets	210	-
Depreciation of own fixed assets	2,320	2,241
Operating lease rentals on		
- plant and machinery	150	322
- other	542	702
Auditors' remuneration		
- audit	55	58
- non-audit	31	33
	<u></u>	<u></u>

Notes to the financial statements

at 31 December 2005

5. Exceptional items

	2005 £000	2004 £000
Recognised after operating profit:		
Loss on termination of operations	-	1,249
	<u> </u>	<u> </u>

On 22 August 2003 an announcement was made communicating the decision to close one of the group's manufacturing facilities in Langage, Plymouth and transfer the production to the Group's remaining UK facility and to another sister company by way of a manufacturing agreement. As a result, the 2004 accounts include exceptional charges in respect of severance of £494,000, loss on disposal of assets of £268,000 and other related closure costs of £1,023,000 totalling £1,249,000.

6. Interest payable and similar charges

	2005 £000	2004 £000
Bank loans and overdrafts	1,199	378
Intercompany loans	-	161
	<u>1,199</u>	<u>539</u>
	<u> </u>	<u> </u>

7. Staff costs

	2005 £000	2004 £000
Wages and salaries	16,360	16,559
Severance costs	135	107
Social security costs	1,297	1,514
Other pension costs	633	787
	<u>18,425</u>	<u>18,967</u>
	<u> </u>	<u> </u>

The average monthly number of persons employed by the group during the year was as follows:

	2005 Number	2004 Number
Manufacturing	511	647
Sales and design engineers	28	32
Administrative	38	34
	<u>577</u>	<u>713</u>
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 December 2005

7. Staff costs (continued)

Directors' remuneration

The amounts below represent total remuneration received by the directors, who are also directors of other group companies. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and services provided in carrying out other group responsibilities.

	2005 £000	2004 £000
Emoluments	518	425
Company contributions to money purchase pension schemes	19	19
	2005 £000	2004 £000
The amount in respect of the highest paid director was as follows:		
Emoluments	201	164
Company contributions to money purchase pension schemes	11	11

Pensions

Retirement benefits accrue under money purchase schemes in respect of qualifying service for 2 (2004 - 2) of the company's directors.

8. Tax on loss on ordinary activities

a) Tax on loss on ordinary activities

	2005 £000	2004 £000
<i>Current tax</i>		
UK corporation tax (note 8(b))	-	-
<i>Deferred tax</i>		
Deferred tax	-	-
Tax on loss on ordinary activities	-	-

Notes to the financial statements

at 31 December 2005

8. Tax on loss on ordinary activities (continued)

b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 - 30%). The differences are reconciled below:

	2005 £000	2004 £000
Loss on ordinary activities before tax	(3,990)	(5,633)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 - 30%)	(1,197)	(1,690)
Expenses not deductible for tax purposes	23	57
Losses surrendered to group companies for nil payment	-	371
Depreciation in excess of capital allowances	721	554
Other timing differences	(83)	(218)
Unrelieved tax losses carried forward	536	926
Total current tax (note 8(a))	-	-

c) Factors that may affect future tax charges

In accordance with FRS19 "Deferred Tax", the deferred tax asset of £10,444,000 in relation to tax losses carried forward of £9,826,586 and other timing differences has not been recognised since it is uncertain whether there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. The unprovided deferred tax asset is as follows:

	2005 £000	Not provided 2004 £000
Group and company		
Depreciation in advance of capital allowances	(7,384)	(6,618)
Short term timing differences	(113)	(196)
Tax losses	(2,947)	(2,098)
	(10,444)	(8,912)

Notes to the financial statements

at 31 December 2005

9. Tangible fixed assets

	Land and buildings Freehold £000	Land and buildings Leasehold £000	Plant machinery, tools and utensils £000	Furniture and fixtures £000	Computer software and hardware £000	Capital work-in progress £000	Total £000
Cost or valuation:							
At 1 January 2005	2,266	122	26,818	717	2,547	217	32,687
Additions	164	-	477	-	76	710	1,427
Disposals	-	-	(3,274)	(277)	(2,304)	(835)	(6,690)
At 31 December 2005	2,430	122	24,021	440	319	92	27,424
Accumulated depreciation:							
At 1 January 2005	704	13	18,036	479	2,402	-	21,634
Charge for the year	95	12	2,082	37	94	-	2,320
Disposals	-	-	(3,033)	(274)	(2,297)	-	(5,604)
At 31 December 2005	799	25	17,085	242	199	-	18,350
Net book value:							
At 31 December 2005	1,631	97	6,936	198	120	92	9,074
At 31 December 2004	1,562	109	8,782	238	145	217	11,053

Notes to the financial statements

at 31 December 2005

9. Tangible fixed assets (continued)

Freehold land held by the group amounting to £16,000 (2004 - £16,000) has not been depreciated.

Cumulative internal costs capitalised included in the cost of tangible fixed assets amount to £352,679. (2004 - £1,606,000).

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

	2005 £000	2004 £000
Contracts for capital expenditure not provided for	91	73

c) Operating lease commitments

The minimum future annual rentals under non-cancellable operating leases are as follows:

	Property £000	Motor vehicles & equipment £000
<i>31 December 2005</i>		
Operating leases which expire:		
- within one year	-	127
- within 2 - 5 years	-	117
- after 5 years	402	-
	<u>402</u>	<u>244</u>
	<u>402</u>	<u>244</u>
<i>31 December 2004</i>		
Operating leases which expire:		
- within one year	-	107
- within 2 - 5 years	-	215
- after 5 years	413	-
	<u>413</u>	<u>322</u>
	<u>413</u>	<u>322</u>

Notes to the financial statements

at 31 December 2005

10. Fixed asset investments

	<i>Country of Incorporation</i>	<i>Principal Activity</i>	<i>Holding</i>	<i>%</i>
SPI Technistan	France	Research and development	Direct	1

The company also owns the whole of the ordinary share capital of 100 £1 shares of the Huntingdon Rubber Company Limited, 1 £1 share of Standard Products Company (Europe) Limited, 2 £1 shares of Standard Products (UK) Limited, 1 £1 share of Silent Channel Products Limited and £2 1 shares of Bird Mould & Tool Company Limited, all dormant companies are registered in England.

The subsidiary companies have not traded during the year and have not been consolidated as they are, in the Directors' opinion, immaterial to the accounts.

11. Stocks

	<i>2005 £000</i>	<i>2004 £000</i>
Raw materials	1,649	2,113
Work-in-progress	1,155	1,091
Finished goods	2,201	2,709
	<u>5,005</u>	<u>5,913</u>

In the opinion of the directors, there is no material difference between the balance sheet value of stocks and their replacement cost.

12. Debtors

	<i>2005 £000</i>	<i>2004 £000</i>
Trade debtors	12,266	9,942
Amounts due from fellow group undertakings	479	856
Prepayments and accrued income	1,261	565
Other taxes	5,134	620
	<u>19,140</u>	<u>11,983</u>

Notes to the financial statements

at 31 December 2005

13. Creditors: amounts falling due within one year

	2005 £000	2004 £000
Trade creditors	2,144	2,102
Amounts due to fellow group undertakings	3,357	2,131
Other taxation and social security	629	754
Accruals and deferred income	1,829	1,495
Bank overdraft	25,692	17,967
	<u>33,651</u>	<u>24,449</u>

14. Called-up share capital

	2005 £000	2004 £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>

15. Reconciliation of shareholders funds and movement on reserves

	Share capital £000	Other reserves £000	Profit and loss account £000	Total £000
At 1 January 2004	34,954	2,374	(26,836)	10,492
Loss for the year	-	-	(5,633)	(5,633)
At 1 January 2005	<u>34,954</u>	<u>2,374</u>	<u>(32,469)</u>	<u>4,859</u>
Loss for the year	-	-	(3,990)	(3,990)
At 31 December 2005	<u>34,954</u>	<u>2,374</u>	<u>(36,459)</u>	<u>869</u>

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

Notes to the financial statements

at 31 December 2005

16. Pension scheme

The company operates a defined contribution pension and death benefits plan, which is administered in-house and is open to employees of the company and subsidiary undertakings. An insurance company administers the investment management.

The pension expense for the year was £633,000, (2004 - £787,000). The unpaid contributions outstanding at the year end are £91,000 (2004 - £93,000).

17. Parent undertaking and related party disclosures

Cooper Standard Automotive Inc (USA) is the company's immediate parent undertaking and is incorporated in the United States. Cooper Standard Holdings Inc is the company's ultimate parent and is also incorporated in the United States. Copies of its accounts are available from its executive offices 39550 Orchard Hill Place Drive, Novi, MI 48325.

As a consequence of being a 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.