

SPECIALISED ELASTOMERS LIMITED

(Registered Number 286841)

ANNUAL REPORT YEAR ENDED 31 DECEMBER 1999



A50
COMPANIES HOUSE

A22XU077

0139
31/10/00

SPECIALISED ELASTOMERS LTD

REPORT OF DIRECTORS

The directors have pleasure in submitting their report together with the audited financial statements for the year to 31st December 1999.

ACTIVITIES

The principal activity of the company is the manufacture of rubber mouldings.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company had a satisfactory year, during which an office in the south of France was opened.

From the 1st January 2000 Specialised Elastomers Ltd has ceased to trade and all trading activities have been transferred to Woodville Polymer Engineering Ltd, a wholly owned subsidiary of the TI Group. Assets and liabilities were also transferred at net book value. This transfer has been made to harmonise the groups aerospace polymer activities and to facilitate further growth in this field.

RESULTS

The retained profit for the year was £181,140 (1998: £176,847). No dividends are proposed for the year ended 31 December 1999 (1998: nil).

DIRECTORS

The directors who served during the year were:-

Mr. D J Ring	Resigned: 28/02/99
Mr. S M Jones	
Mr. R Bonnie	Appointed: 2/10/98
Mr J R Edwards	Appointed: 2/10/98
Mr G M Noris	Appointed: 2/10/98
Mr D A Penn	Appointed: 2/10/98

YEAR 2000 COMPLIANCE AND THE INTRODUCTION OF THE EURO

The company has taken an active part in TI Group's millenium programme and this programme was completed on time. No material disruption has arisen from the non-compliance of either a business critical system or third party since the year end.

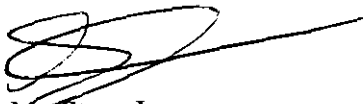
The company is able to conduct business in Euro's. No significant costs have been incurred in setting up systems which can deal with Euro transactions.

SPECIALISED ELASTOMERS LTD

AUDITORS

PricewaterhouseCoopers have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the annual general meeting.

By order of the board.

A handwritten signature in black ink, appearing to be 'Steve Jones', with a long horizontal line extending to the right.

Mr. Steve Jones
Managing Director
31 October 2000

SPECIALISED ELASTOMERS LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts 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 the year. In preparing those accounts, the directors are required to:

- i) select suitable accounting policies and apply them consistently;
- ii) make judgements and estimates that are reasonable and prudent;
- iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- iv) prepare the accounts 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 accounts 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.

SPECIALISED ELASTOMERS LTD

AUDITORS' REPORT TO THE MEMBERS OF SPECIALISED ELASTOMERS LIMITED

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you if, in our opinion, the director's 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

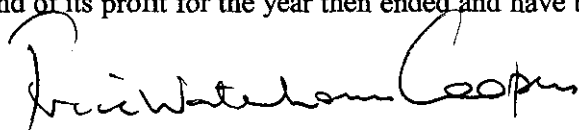
BASIS OF AUDIT OPINION

We conducted our audit in accordance with 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 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 of the state of the company's affairs at 31st December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors,
Southampton
31 October 2000

SPECIALISED ELASTOMERS LTD

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999

	Note	1999 £	1998 £
TURNOVER	2	3,521,645	2,647,111
Cost of sales		(3,215,283)	(2,213,495)
GROSS PROFIT		<u>306,362</u>	<u>433,616</u>
Distribution and Selling costs		(47,122)	(80,947)
Administration costs		<u>(46,570)</u>	<u>(84,876)</u>
OPERATING PROFIT	3	212,670	267,793
INTEREST RECEIVED		<u>25,548</u>	<u>2,071</u>
Profit on ordinary activities before taxation		238,218	269,864
Taxation on profit on ordinary activities	6	<u>(57,078)</u>	<u>(93,017)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
RETAINED PROFIT FOR THE FINANCIAL YEAR	14	<u>181,140</u>	<u>176,847</u>

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

All turnover and operating profit in 1999 and 1998 arose from the company's principal activity which was transferred to Woodville Polymer Engineering Limited at the end of 1999, another wholly owned subsidiary of the TI Group.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	1999 £	1998 £
Profit for the financial year	181,140	176,847
Opening shareholders' funds	262,002	85,155
Closing shareholders' funds	<u>443,142</u>	<u>262,002</u>

SPECIALISED ELASTOMERS LTD

BALANCE SHEET AT 31 DECEMBER 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Tangible assets	7	744,104	662,739
CURRENT ASSETS			
Stocks	8	298,139	129,000
Debtors	9	646,208	358,820
Cash at bank and in hand		<u>624,506</u>	<u>273,242</u>
		1,568,853	761,062
CREDITORS: Amounts falling due within one year	10	<u>(1,851,728)</u>	<u>(1,086,474)</u>
NET CURRENT LIABILITIES		<u>(282,875)</u>	<u>(325,412)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		461,229	337,327
CREDITORS: Amounts falling due after one year	11	-	(42,702)
PROVISIONS for liabilities and charges	12	(18,087)	(32,623)
NET ASSETS		<u>443,142</u>	<u>262,002</u>
CAPITAL AND RESERVES			
Called up share capital	13	1,000	1,000
Other reserves	14	4,554	4,554
Profit and loss account	14	437,588	256,448
EQUITY SHAREHOLDERS' FUNDS		<u>443,142</u>	<u>262,002</u>

The accounts were approved by the board of directors on 31 October 2000 and were signed on its behalf by:



Mr Steve Jones
Managing Director

SPECIALISED ELASTOMERS LTD

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies, which are in accordance with applicable accounting standards, have been applied consistently in dealing with items which are considered material in relation to the company's accounts.

a) Basis of accounting

The accounts have been prepared under the historical cost convention.

b) Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Tooling	10% to 25%
Plant and machinery	10% to 25% p.a.

c) Stocks and work-in-progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes works overheads. Provision is made for obsolete, slow moving or defective stocks.

d) Research and development

Research and development expenditure is written off against profit in the year in which the expenditure arises.

e) Deferred taxation

Deferred taxation is provided at the future rate of taxation using the liability method in respect of the taxation effect of all timing differences to the extent that is probable that liabilities will crystallise in the foreseeable future.

f) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rate ruling on the balance sheet date. All realised differences are taken to the profit and loss account.

SPECIALISED ELASTOMERS LTD

NOTES TO THE FINANCIAL STATEMENTS (contd.)

g) Operating Leases

Operating lease rental charges are charged to the profit and loss account in the period in which these are incurred.

2. TURNOVER

Turnover represents the invoiced value of goods and services delivered during the year exclusive of value added tax and trade discounts.

All of the company's turnover and profit on ordinary activities before taxation relate to the company's principal activity.

The geographic analysis of turnover is as follows:

	1999 £	1998 £
United Kingdom	3,403,351	2,590,712
Asia, Far East and Australia	20,075	14,077
North, South and Central America	29,799	8,486
Europe	68,420	33,836
	<u>3,521,645</u>	<u>2,647,111</u>

3. OPERATING PROFIT

Operating profit is stated after charging, the following items:

	1999 £	1998 £
Depreciation - tangible assets	110,308	60,005
Profit on disposal of fixed assets	-	1,702
Operating lease charges - plant and machinery	<u>3,154</u>	<u>2,639</u>

The auditor's remuneration is borne by an affiliate company, Aerostructures Hamble Limited.

SPECIALISED ELASTOMERS LTD

NOTES TO THE FINANCIAL STATEMENTS (contd.)

4 DIRECTORS' EMOLUMENTS

	1999	1998
	<u>£</u>	<u>£</u>
Highest paid director and aggregate remuneration	75,880	46,986

5 STAFF COSTS

The average weekly number of employees, including directors, during the year was as follows:

	1999	1998
	No.	No.
Sales, administration and distribution	7	7
Manufacturing	<u>32</u>	<u>20</u>
	<u>39</u>	<u>27</u>

The aggregate payroll costs of these persons were:

	1999	1998
	<u>£</u>	<u>£</u>
Wages and salaries	840,317	647,152
Social security costs	65,687	52,380
Other pension costs	45,388	36,728
	<u>951,392</u>	<u>736,260</u>

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1999	1998
	<u>£</u>	<u>£</u>
Based on the profit for the year:		
UK Corporation tax at 30.25% (1998 : 31.0%)	56,000	61,272
Deferred tax	<u>464</u>	<u>17,623</u>
	56,464	78,895
Taxation relating to prior years:		
UK Corporation tax	614	10,002
Deferred taxation	-	4,120
	<u>57,078</u>	<u>93,017</u>

SPECIALISED ELASTOMERS LTD

NOTES TO THE FINANCIAL STATEMENTS (contd.)

7 TANGIBLE FIXED ASSETS

	Plant and machinery £
COST	
At 1 January 1999	1,127,026
Additions	<u>191,673</u>
At 31 December 1999	<u>1,318,699</u>
DEPRECIATION	
At 1 January 1999	464,287
Charge for the year	<u>110,308</u>
At 31 December 1999	<u>574,595</u>
NET BOOK VALUE	
At 31 December 1998	662,739
At 31 December 1999	<u>744,104</u>

8 STOCKS

	1999 £	1998 £
Raw materials and Consumables	<u>298,139</u>	<u>129,000</u>

The replacement value of stock and work in progress is not considered to be materially different from the book value.

9. DEBTORS

	1999 £	1998 £
Trade debtors	567,567	277,245
Amounts owed by group companies	55,990	71,828
Prepayments	22,651	9,747
	<u>646,208</u>	<u>358,820</u>

SPECIALISED ELASTOMERS LTD

NOTES TO THE FINANCIAL STATEMENTS (contd.)

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999	1998
	£	£
Trade creditors	383,444	243,290
Amounts owed to group undertakings	1,313,377	755,508
Corporation tax	56,000	61,272
Other taxation and social security	77,707	16,824
Accruals and deferred income	21,200	9,580
	<u>1,851,728</u>	<u>1,086,474</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1999	1998
	£	£
Amounts owed to group companies	-	42,702

12. PROVISIONS: FOR LIABILITIES AND CHARGES

	1999	1998
	£'000	£'000
Provision for deferred taxation	18,087	17,623
Provision for warranty costs	-	15,000
	<u>18,087</u>	<u>32,623</u>

The movements on provisions:

	Deferred Tax	Warranty
At 1 st Jan 1999	17,623	15,000
Released during the year	-	(15,000)
Created in the year	464	-
At 31 st Dec 1999	<u>18,087</u>	<u>Nil</u>

The analysis of the deferred tax balance is as follows

	1999	1998
Accelerated capital allowances	(19,287)	(20,103)
Other timing differences	1,200	2,480
	<u>(18,087)</u>	<u>(17,623)</u>

All potential timing differences have been provided for.

SPECIALISED ELASTOMERS LTD

NOTES TO THE FINANCIAL STATEMENTS (contd.)

13 SHARE CAPITAL

	<u>1999 and 1998</u>		<u>Allotted, called up and fully paid</u>	
	<u>Authorised</u>			
	<u>No.</u>	<u>£</u>	<u>No.</u>	<u>£</u>
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

14 RESERVES

	<u>Other</u>	<u>Profit and loss account</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
At 1 st January 1999	4,554	256,448	261,002
Retained profit for year	-	181,140	181,140
At 31 st December 1999	<u>4,554</u>	<u>437,588</u>	<u>442,142</u>

15 PENSIONS

The company operates a pension scheme providing benefits on final pensionable pay. The scheme is part of a group scheme.

The details of the group pension scheme administered by the former holding company EIS Group Plc, can be found in the 1999 statutory accounts of EIS Group Plc.

The pension charge for the period was £45,388 (1998: £36,728) and has been determined over the average remaining service lives of the employees.

16 LEASING COMMITMENTS

The operating lease payments for which the company is committed during the next financial year are:

	<u>Plant and Machinery</u>	
	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Expiry of lease:		
Between two and five years	1,882	1,882
After 5 Years	<u>1,272</u>	<u>1,272</u>
	<u>3,154</u>	<u>3,154</u>

17 CAPITAL COMMITMENTS

At the year end £13,000 capital commitments existed (1998: £69,180) that had been contracted for but not provided for.

18 CONTINGENT LIABILITIES

In the opinion of the directors there were no material contingent liabilities at 31 December 1999 (1998: nil).

SPECIALISED ELASTOMERS LTD

NOTES TO THE FINANCIAL STATEMENTS (contd.)

19 RELATED PARTY DISCLOSURE

The company is a wholly owned subsidiary of TI Group Plc. In accordance with paragraph 3 (c) of FRS 8, "Related Party Transactions", the company is exempt from disclosing details of arrangements with other companies in the TI Group.

20 CASH FLOW STATEMENT

The company has not produced a Cash Flow Statement as it is a wholly owned subsidiary of TI Group Plc, whose accounts include a consolidated Cash Flow Statement

21 ULTIMATE HOLDING COMPANY

The ultimate holding company is TI Group Plc, a company registered in England and Wales. Copies of the group accounts are available from:

TI Group Plc
Lambourn Court
Abingdon
Oxon
OX14 1UH