

LEAR Corporation (Nottingham) Limited

Accounts for the year ended 31 December 1999
together with directors' and auditors' reports

Registered number: 386944



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COMPANIES HOUSE 03/04/01

Directors' report

For the year ended 31 December 1999

The directors present this report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1999.

Principal activity and business review

The principal activity of the company continues to be the manufacture of interior components for the motor industry. Company development has been satisfactory and is expected to continue to be so.

Turnover for the period was £15,304,000 (1998 - £21,537,000) with a loss on ordinary activities before taxation of £1,220,000 (1998 - £204,000).

Results

The results for the year are as follows:

	£'000
Retained profit, beginning of year	801
Loss for the financial year	(1,033)
Retained loss, end of year	(232)

The directors do not recommend the payment of a dividend (1998 - £Nil).

Research and development

The company carries out research and development in support of its activities. The amount spent by the company on research and development is contained in note 3 to the accounts.

Directors and their interests

The directors who served during the year and subsequently are as follows:

J Bryant
H C Christopher
J F McCarthy (USA)
J T Gargaro (USA)
D J Stebbins (USA)
P Jefferson (appointed 3 March 2000)
C H Massey (resigned 30 June 1999)
J R Taylor (resigned 7 February 2000)

The directors who held office at 31 December 1999 had no interest that was required to be disclosed under schedule 7 of the Companies Act 1985.

Directors' report (continued)

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period 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 accounts, 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 accounts; and
- 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 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.

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 the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

Changes in presentation

The profit and loss account for the current and prior periods has been presented using an alternative Companies Act format. The directors are of the opinion that the revised format better reflects the nature of the company's operations.

Post balance sheet events

Subsequent to the year end, as part of a group reorganisation, the entire trade and net assets of the company were sold to the company's immediate parent undertaking, Lear Corporation (UK) Limited, for consideration of £40,081,000.

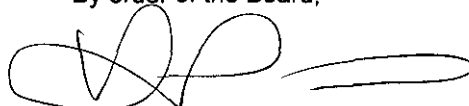
Directors' report (continued)

Auditors

The company has passed an elective resolution to dispense with the need to reappoint auditors.

20 Black Friars Lane
London
EC4V 6HD

By order of the Board,

A handwritten signature in black ink, consisting of a large, stylized 'M' followed by a horizontal line.

for & on behalf of
Mawlaw Secretaries Limited

Secretary

26 March 2001

To the Shareholders of LEAR Corporation (Nottingham) Limited:

We have audited the accounts on pages 5 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described in the directors' report on page 2, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

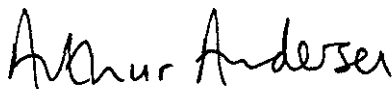
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

1 Victoria Square
Birmingham
B1 1BD

26 March 2001

Profit and loss account

For the year ended 31 December 1999

	Notes	For the year ended 31 December 1999 £'000	For the 13 months ended 31 December 1998 £'000
Turnover	2	15,304	21,537
Cost of sales		(10,840)	(16,017)
Gross profit		4,464	5,520
Other operating expenses, net	3	(5,904)	(5,859)
Operating loss		(1,440)	(339)
Finance income (net)		220	135
Loss on ordinary activities before taxation	4	(1,220)	(204)
Tax on loss on ordinary activities	7	187	330
(Loss) profit for the financial year being the retained (loss) profit for the financial year		(1,033)	126
Retained profit beginning of year		801	675
Retained (loss) profit end of year		(232)	801

There are no recognised gains or losses in either period other than the (loss) profit for that financial period.

All activities derive from continuing operations in both periods.

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

Reconciliation of movement in shareholders' funds

For the year ended 31 December 1999

	For the year ended 31 December 1999 £'000	For the 13 months ended 31 December 1998 £'000
(Loss) profit for the financial period	(1,033)	126
Net (reduction in) addition to shareholders' funds	(1,033)	126
Opening shareholders' funds	10,801	10,675
Closing shareholders' funds	9,768	10,801
Analysed as:		
Equity shareholders' funds	9,718	10,751
Non-equity shareholders' funds	50	50
	9,768	10,801

Balance sheet

31 December 1999

	Notes	31 December 1999 £'000	31 December 1998 £'000
Fixed assets			
Tangible assets	8	<u>6,276</u>	<u>4,513</u>
Current assets			
Stocks	9	510	412
Debtors	10	8,294	7,160
Cash at bank and in hand		<u>1,251</u>	<u>3,667</u>
		10,055	11,239
Creditors: Amounts falling due within one year	11	<u>(6,310)</u>	<u>(4,511)</u>
Net current assets		<u>3,745</u>	<u>6,728</u>
Total assets less current liabilities		10,021	11,241
Provisions for liabilities and charges	12	<u>(253)</u>	<u>(440)</u>
Net assets		<u>9,768</u>	<u>10,801</u>
Capital and reserves			
Called-up share capital	13	10,000	10,000
Profit and loss account	14	<u>(232)</u>	<u>801</u>
Shareholders' funds		<u>9,768</u>	<u>10,801</u>

Signed on behalf of the Board

P Jefferson

Director

26 March 2001

The accompanying notes are an integral part of this balance sheet

Notes to accounts

31 December 1999

1 Accounting policies

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

a) Basis of accounting and changes in presentation

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

The profit and loss account for the current and prior periods has been presented using an alternative Companies Act format. The directors are of the opinion that the revised format better reflects the nature of the company's operations.

In accordance with Financial Reporting Standard Number 1, no cash flow statement is presented as consolidated financial statements of Lear Corporation UK Holdings Limited, in which LEAR Corporation (Nottingham) Limited is included, are publicly available.

b) Research and development

All expenditure on research and development is written off in the year in which it is incurred.

c) Tangible fixed assets

Tangible assets are stated at cost net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset over its expected useful life as follows:

Plant and machinery	7.5% - 15%
Tooling	33%
Motor vehicles	20%
Computer, office equipment and fixtures and fittings	7.5% - 33%

d) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated 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.

e) Taxation

Corporation tax payable is provided on taxable profits at the current rate. When tax losses are available they are transferred from other group companies to offset the liability. No payment is made for the receipt of such group relief.

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.

Notes to accounts (continued)

1 Accounting policies (continued)

f) Foreign currency

Transactions denominated in foreign currencies are recorded at the rate of exchange at the date of 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.

g) Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term, even if the payments are not made on such a basis.

h) Turnover

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

i) Government grants

Government grants on capital expenditure are credited to a deferral account and are released to revenue over the expected useful life of the relevant asset by equal annual instalments.

Grants of a revenue nature are credited to income in the period to which they relate.

j) Tooling

Tooling costs which are not recoverable from customers are capitalised and written off over the estimated life of the associated contract. Expenditure on tooling spare parts is written off in the period it is incurred.

k) Pension costs

The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Notes to accounts (continued)

2 Segment information

Turnover and profit on ordinary activities before taxation are wholly derived from the principal activity.

	For the year ended 31 December 1999 £'000	For the 13 months ended 31 December 1998 £'000
A geographical analysis of the company's turnover by destination is as follows:		
United Kingdom	10,875	19,424
Rest of Europe	4,414	2,113
Other	15	-
	<u>15,304</u>	<u>21,537</u>

3 Operating expenses (net)

	For the year ended 31 December 1999 £'000	For the 13 months ended 31 December 1998 £'000
Distribution costs	203	-
Administration expenses	4,077	4,603
Research and development	1,624	1,256
	<u>5,904</u>	<u>5,859</u>

Notes to accounts (continued)

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	For the year ended 31 December 1999 £'000	For the 13 months ended 31 December 1998 £'000
Depreciation and amounts written off tangible fixed assets		
- owned	1,048	1,102
- provision for impairment	-	984
Loss on disposal of fixed assets	-	1
Operating lease payments		
- plant and equipment	123	49
- other	-	26
Auditors' remuneration		
- audit fees	24	25
- non audit fees	5	4
Exceptional operating expenses	-	546

The exceptional operating expenses in 1998 relate to redundancy and the reorganisation of the factory layout following a review of the company's operations.

5 Employees

	For the year ended 31 December 1999 £'000	For the 13 months ended 31 December 1998 £'000
Wages and salaries	5,565	6,481
Social security costs	510	732
Other pension costs	471	555
	<u>6,546</u>	<u>7,768</u>

Notes to accounts (continued)

5 Employees (continued)

The average monthly number of employees during the period was as follows:

	For the year ended 31 December 1999 Number	For the 13 months ended 31 December 1998 Number
Administration	36	32
Production	338	306
	<u>374</u>	<u>338</u>

6 Directors' emoluments

	For the year ended 31 December 1999 £'000	For the 13 months ended 31 December 1998 £'000
Emoluments	232	306
Company contributions to money purchase schemes	31	32
	<u>263</u>	<u>338</u>
Compensation for loss of office	<u>34</u>	<u>-</u>

The number of directors who were members of pension schemes was as follows:

	For the year ended 31 December 1999 Number	For the 13 months ended 31 December 1998 Number
Money purchase schemes	<u>4</u>	<u>5</u>

Notes to accounts (continued)

6 Directors' emoluments (continued)

Highest – paid director

	For the year ended 31 December 1999 £'000	For the 13 months ended 31 December 1998 £'000
Emoluments	69	72
Company contributions to money purchase schemes	10	7
	<u>79</u>	<u>79</u>

7 Tax on loss on ordinary activities

The taxation credit is based on the loss for the year and comprises:

	For the year ended 31 December 1999 £'000	For the 13 months ended 31 December 1998 £'000
Corporation tax	-	246
Group relief	-	(246)
	<u>-</u>	<u>-</u>
Deferred tax		
- capital allowances	(127)	(330)
- other	(60)	-
	<u>(187)</u>	<u>(330)</u>

Notes to accounts (continued)

8 Tangible fixed assets

	Plant and machinery £'000	Tooling costs £'000	Motor vehicles £'000	Computer, office equipment and fixtures and fittings £'000	Total £'000
Cost					
Beginning of period	11,929	897	110	1,881	14,817
Additions	1,589	1,084	-	174	2,847
Disposals	(130)	-	(61)	-	(191)
End of period	13,388	1,981	49	2,055	17,473
Depreciation					
Beginning of period	8,283	623	64	1,334	10,304
Charge for the period	739	110	14	185	1,048
Disposals	(113)	-	(42)	-	(155)
End of period	8,909	733	36	1,519	11,197
Net book value					
Beginning of period	3,646	274	46	547	4,513
End of period	4,479	1,248	13	536	6,276

9 Stocks

	31 December 1999 £'000	31 December 1998 £'000
Raw materials and consumables	327	95
Work-in-progress	152	222
Finished goods and goods for resale	31	95
	510	412

In the directors opinion there is no material difference between the balance sheet value of stock and its replacement cost.

Notes to accounts (continued)

10 Debtors

	31 December 1999 £'000	31 December 1998 £'000
Amounts falling due within one year:		
Trade debtors	1,718	1,912
Amounts due from group undertakings	6,345	5,068
Amounts recoverable on contracts	102	116
Prepayments and accrued income	129	64
	<u>8,294</u>	<u>7,160</u>

Included in amounts due from group undertakings is a loan of £2,400,000 plus accrued interest of £307,000. This loan is due from Lear UK Acquisition Limited, is repayable on demand and accrues interest at 6.80% per annum.

11 Creditors: Amounts falling due within one year

	31 December 1999 £'000	31 December 1998 £'000
Bank loans and overdraft	-	369
Trade creditors	5,309	3,369
Amounts owed to group undertakings	360	106
Other taxation and social security	96	175
Accruals and deferred income	545	492
	<u>6,310</u>	<u>4,511</u>

12 Provisions for liabilities and charges

	Deferred taxation £'000
Beginning of year	440
Credited to profit and loss account	<u>(187)</u>
End of year	<u>253</u>

Notes to accounts (continued)

12 Provisions for liabilities and charges (continued)

Deferred taxation comprises:

	31 December 1999 £'000	31 December 1998 £'000
Capital allowances	313	440
Other	(60)	-
	<u>253</u>	<u>440</u>

There was no unprovided deferred taxation at either year end.

13 Called-up share capital

	31 December 1999 £'000	31 December 1998 £'000
<i>Authorised, allotted, called-up and fully paid:</i>		
Equity		
9,950,000 (1998 - 9,950,000) ordinary shares of £1 each	9,950	9,950
Non-equity		
50,000 (1998 - 50,000) 4.2% cumulative preference shares of £1 each	50	50
	<u>10,000</u>	<u>10,000</u>

The ordinary and cumulative preference shares hold equal voting rights, equal rights to profits and carry equal rights to assets on a winding up. All non-equity shareholders' funds are attributed to preference share holders.

14 Reserves

	For the year ended 31 December 1999 £'000
At 31 December 1998	801
Retained loss for the financial year	(1,033)
At 31 December 1999	<u>(232)</u>

Notes to accounts (continued)

15 Capital commitments

	31 December 1999 £'000	31 December 1998 £'000
Contracted but not provided for	171	222

16 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	Plant and equipment	
	31 December 1999 £'000	31 December 1998 £'000
Expiry		
- within one year	26	105
- expiring between two and five years	74	86
	100	191

17 Contingent liabilities

A Duty Deferment Guarantee of £50,000 (1998 - £50,000) in favour of HM Customs and Excise, was outstanding at the period end. The company has also guaranteed payments of £119,399 to IBM on behalf of Lear Corporation UK Interior Systems Limited.

18 Pensions

As from 1 August 1997, as a result of the acquisition of the company by Lear UK Acquisition Limited, the UK employees were eligible for membership of the new ISG Glaisdale Nottingham Pension Scheme, a money purchase scheme. After individual consultation, employees who were members of the BTR plc Group Pension Scheme have either retained a deferred pension benefit in that scheme or transferred to the new scheme.

The total employer contributions charged in the period were £471,000 (1998 - £555,000).

19 Ultimate parent company

The company is a wholly owned subsidiary of Lear Corporation (UK) Limited.

The smallest group in which the results of the company are consolidated is that headed by Lear Corporation UK Holdings Limited. The accounts of this company are available from 20 Black Friars Lane, London, EC4V 6HD.

Notes to accounts (continued)

19 Ultimate parent company (continued)

The largest group in which the results of the company are consolidated is that headed by Lear Corporation. The accounts of this company are available from Lear Corporation, 21557 Telegraph Road, Southfield, Michigan 48034, USA.

The ultimate controlling party of the company is Lear Corporation.

20 Related party transactions

The company has taken advantage of the exemption granted within Financial Reporting Standard 8, which does not require disclosure of transactions between a subsidiary undertaking and other group undertakings, where more than 90% of the company's voting rights are controlled within the group, and the consolidated results of the group are publicly available.

21 Post balance sheet events

Subsequent to the year end, as part of a group reorganisation, the entire trade and net assets of the company were sold to the company's immediate parent undertaking, Lear Corporation (UK) Limited, for consideration of £40,081,000.