

BI AUTOMOTIVE LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997

(Registered in England and Wales, Number 509558)



BI AUTOMOTIVE LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997

The directors present their annual report together with the audited accounts for the year ended 31st March 1997.

Principal Activity

The principal activity of the company is the manufacture of components for the automotive industry.

Business Review

On 31st March 1997 the trade and assets of Precision Technologies International Limited were transferred to BI Automotive Ltd. The company is the beneficiary of agency trading agreements with Heartlands Extrusion Forge Limited and Precision Technologies Limited which enable the company's trade to be conducted in their names. These agreements are dated 31st March 1994 and 31st March 1997 respectively.

Results and Dividends

The retained loss of £355,529 (1996 : profit of £14,475) was transferred to reserves. No dividend was paid during the year (1996 : £NIL).

Directors and Directors' Interests

The directors who have served during the year were as follows:

S.H. Hayes
D.C.N. MacPherson (appointed 11th December 1996)
A.C. Purdue (appointed 28th January 1997)
J.H. Parfrey (resigned 31st December 1996)

No director held any beneficial interest in the share capital of the company or any other group company during the year.

Insurance

During the year a group insurance policy was maintained under which cover was provided for directors and certain other officers against possible personal claims against them arising from the company's activities.

Employee Involvement

The company recognises the need to ensure effective communications with employees. All senior management are regularly informed of company developments in strategic, financial, commercial and personnel matters to enable them to inform and discuss these issues with all employees as appropriate.

Employment of Disabled Persons

The company's policy is to give full and fair consideration to applications for employment by disabled persons, having regard to the nature of employment. Suitable opportunities are offered to disabled persons in order to promote their career development.

BI AUTOMOTIVE LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997
(continued)

Auditors

In accordance with Section 385 of the Companies Act 1985 a resolution for the re-appointment of KPMG will be proposed at the forthcoming Annual General Meeting.

By order of the Board



S.G. Wain
Secretary

27th June 1997

BI AUTOMOTIVE LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31ST MARCH 1997

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 for that period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis.

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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF
BI AUTOMOTIVE LIMITED

We have audited the accounts on pages 5 to 16.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 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 judgements 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 as at 31st March 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMV

KPMG
Chartered Accountants
Registered Auditors
Birmingham

27th June 1997

BI AUTOMOTIVE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 1997

	<u>Note</u>	1997 £	1996 £
TURNOVER - continuing operations	2	4,288,351	6,196,171
Cost of sales		(3,759,629)	(5,098,990)
		-----	-----
GROSS PROFIT		528,722	1,097,181
Net operating costs	4	(990,679)	(1,053,402)
		-----	-----
OPERATING (LOSS)/PROFIT - continuing operations		(461,957)	43,779
Net interest payable	5	(38,651)	(38,107)
		-----	-----
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(500,608)	5,672
Tax on (loss)/profit on ordinary activities	8	145,079	8,803
		-----	-----
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEING THE RETAINED (LOSS)/PROFIT FOR THE YEAR		(355,529)	14,475
RETAINED PROFIT BROUGHT FORWARD		379,769	365,294
		-----	-----
RETAINED PROFIT CARRIED FORWARD		24,240	379,769
		-----	-----

There were no recognised gains or losses other than the retained (loss)/profit for the current and previous years.

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

(Loss)/Profit on ordinary activities after taxation	(355,529)	14,475
Opening shareholders' funds	2,096,518	2,082,043
	-----	-----
Closing shareholders' funds	1,740,989	2,096,518
	-----	-----

BI AUTOMOTIVE LIMITED
BALANCE SHEET
AT 31ST MARCH 1997

		1997	1996
	<u>Note</u>	<u>£</u>	<u>£</u>
FIXED ASSETS			
Intangible assets	9	1,859,161	
Tangible assets	10	1,931,295	548,637
Investments	11	1,616,749	3,521,619
		-----	-----
		5,407,205	4,070,256
CURRENT ASSETS			
Stocks	12	442,514	658,592
Debtors	13	2,055,725	1,624,858
Cash at bank and in hand		314,850	75,161
		-----	-----
		2,813,089	2,358,611
CREDITORS: Amounts falling due within one year	14	(1,405,815)	(4,222,092)
		-----	-----
NET CURRENT ASSETS/(LIABILITIES)		1,407,274	(1,863,481)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		6,814,479	2,206,775
CREDITORS: Amounts falling due after more than one year	15	(4,867,490)	(62,033)
PROVISION FOR LIABILITIES AND CHARGES	16	(206,000)	(48,224)
		-----	-----
NET ASSETS		1,740,989	2,096,518
		-----	-----
CAPITAL AND RESERVES			
Called up share capital	17	1,000,000	1,000,000
Share premium account	18	716,749	716,749
Profit and loss account	19	24,240	379,769
		-----	-----
EQUITY SHAREHOLDERS' FUNDS		1,740,989	2,096,518
		-----	-----

These accounts were approved by the directors on 27th June 1997 and signed on their behalf by:


S.H. Hayes
Director

BI AUTOMOTIVE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997

1. ACCOUNTING POLICIES

The following accounting policies 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 are prepared under the historical cost convention and in accordance with applicable Accounting Standards.
- (b) **DEPRECIATION**
Depreciation is calculated to write off the cost, less the estimated residual value, of tangible assets on a straight line basis over their estimated lives as follows:

Plant, fixtures and motor vehicles - in equal instalments
ranging from 3 to 15 years.
- (c) **STOCKS**
Stocks have been valued at the lower of cost and net realisable value. In respect of work in progress and finished goods cost includes all direct costs of production and the appropriate proportion of production overheads.
- (d) **DEFERRED TAXATION**
Deferred taxation is provided using the liability method in respect of the taxation effect of timing differences to the extent that it is probable the liabilities will become payable in the foreseeable future.
- (e) **PENSIONS**
Contributions are paid to both defined benefit and defined contribution pension schemes in accordance with the recommendations of independent actuaries and advisers. Defined benefit contributions are charged to the profit and loss account to spread the cost of pensions over the anticipated service lives of employees. Contributions to defined contribution schemes are charged to the profit and loss account on the accruals basis.
- (f) **LEASING AND HIRE PURCHASE**
Assets acquired under finance leases and hire purchase arrangements are capitalised and the related liabilities, excluding finance charges, are included in borrowings. Finance charges in respect of such assets are charged in profit and loss account. Operating lease rentals are written off on a straight line basis over the lease period.
- (g) **GOODWILL**
Goodwill is identified as the difference between the fair value of the consideration paid for investments in subsidiary undertaking over the fair value of the underlying net assets. The value of goodwill is to be amortised over and estimated useful economic life of twenty years.

BI AUTOMOTIVE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997
(continued)

1. ACCOUNTING POLICIES (continued)

(h) FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated at the rates ruling when they occurred or at rates specified in related forward foreign currency contracts. Any exchange differences arising are included in operating profits.

(i) CASH FLOW STATEMENT

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a consolidated cash flow statement as it is a wholly owned subsidiary undertaking of BI Group Plc, and its cash flows are included within the consolidated cash flow statement of that company.

(j) INVESTMENTS IN SUBSIDIARIES

Investments in subsidiary undertakings are stated at cost less provisions for diminution in value.

2. TURNOVER

Turnover represents amounts invoiced by the company in respect of goods sold during the year excluding value added tax.

The analysis of turnover by geographical area is as follows:

	1997 £	1996 £
United Kingdom	3,299,974	4,446,237
Europe	775,362	1,265,613
Americas	-	144,262
Asia	213,015	340,059
	-----	-----
	4,288,351	6,196,171
	-----	-----

3. STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the year was as follows:

	<u>Number</u>	<u>Number</u>
Production	46	55
Administration	16	15
	-----	-----
	62	70
	-----	-----

BI AUTOMOTIVE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997
(continued)

3. STAFF NUMBERS AND COSTS (continued)

The aggregate payroll costs of these persons were as follows:

	1997 £	1996 £
Wages and salaries	873,414	1,054,417
Social security costs	72,490	86,278
Other pension costs	51,534	40,422
	----- 997,438	----- 1,181,117

4. NET OPERATING EXPENSES

Distribution costs	228,932	395,669
Administrative expenses	761,747	657,733
	----- 990,679	----- 1,053,402

5. NET INTEREST PAYABLE

Bank interest payable	22,633	17,286
Other interest payable	16,018	20,821
	----- 38,651	----- 38,107

6. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION
is arrived at after charging:

Depreciation	111,501	105,306
Auditors' remuneration	3,450	5,405
Property operating lease rentals	135,000	135,000
Other operating lease rentals	26,372	22,353
Loss on sale of fixed assets	2,091	616
Provision against cost of investments	45,709	-
	-----	-----

7. DIRECTORS' EMOLUMENTS

No director received, or waived any emoluments in the year.

BI AUTOMOTIVE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997
(continued)

8. TAXATION

	1997	1996
	£	£
UK corporation tax credit		
- current year	142,855	2,795
- over provision in respect of prior year	-	1,084
Deferred tax credit		
- current year	2,224	4,924
	-----	-----
	145,079	8,803
	-----	-----

9. INTANGIBLE ASSETS

Cost at 1 April 1996	-
Transferred from investments	1,859,161

Cost at 31st March 1997	1,859,161

10. TANGIBLE ASSETS

	Plant Machinery Fixtures and Fittings
COST	
At 1st April 1996	1,070,708
Additions	39,059
Transfer from group undertakings	2,726,269
Disposals	(2,531)

At 31st March 1997	3,833,505

DEPRECIATION	
At 1st April 1996	522,071
Charge for the year	111,501
Transfer from group undertakings	1,269,078
Disposals	(440)

At 31st March 1997	1,902,210

NET BOOK VALUE	
At 31st March 1997	1,931,295

At 31st March 1996	548,637

BI AUTOMOTIVE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997
(continued)

10. TANGIBLE ASSETS (continued)

Included in tangible assets are finance leased assets with a net book value of £1,313,467 (1996 : £459,637). Depreciation on these assets amounted to £94,200 in the year (1996 : £94,200).

11. INVESTMENTS

£

Investment in subsidiary undertakings at cost less provisions for diminution in value

At 1st April 1996	3,521,619
Transferred to goodwill	(1,859,161)
Provided in year	(45,709)

At 31st March 1997	1,616,749

On 31st March 1997 the trade, assets and liabilities of the company's wholly owned subsidiary, Precision Technologies International Limited, were transferred to the company at the fair value of the net assets acquired by the company. This transfer resulted in the company carrying an investment in a dormant subsidiary in excess of the subsidiaries net assets. The excess of the cost of the investment in Precision Technologies International Limited over the fair value of its net assets on acquisition of £1,859,161 has been capitalised under intangible assets in accordance with the Company's accounting policy in respect of goodwill. The standard accounting treatment prescribed by the Companies Act 1985 requires this investment to be written down (through the profit and loss account during the year) to the net asset value of the subsidiary. However the directors have invoked the true and fair view override in this case as they consider this fairly reflects the transaction. This treatment reflects that there is no loss to the company as a result of transferring the trade, assets and liabilities of Precision Technologies International Limited to the company.

BI AUTOMOTIVE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997
(continued)

11. INVESTMENTS (continued)

The companies are registered in England and Wales and details of investments are as follows:

	<u>Class of Shares Held</u>	<u>Percentage Holding</u>	<u>Principal Activity</u>
Precision Technologies International Limited	Ordinary shares of £1 each	100%	Dormant
Heartlands Extrusion Forge Limited	Ordinary shares of £1 each	100%	Dormant
Bromsgrove Special Products Limited	Ordinary shares of £1 each	100%	Dormant
Bromsgrove Castings Limited	Ordinary shares of £1 each	100%	Dormant
Bromsgrove Medical Products Limited	Ordinary shares of £1 each	100%	Dormant
Panclean Services Limited (was Bromsgrove Components Limited)	Ordinary shares of £1 each	100%	Dormant
Bromsgrove Developments Limited	Ordinary shares of £1 each	100%	Dormant

Consolidated accounts have not been produced as permitted by Section 228 of the Company Act 1985.

12. STOCKS

	1997 £	1996 £
Raw materials and consumables	206,217	384,715
Work in progress	217,468	223,641
Finished goods	18,829	50,236
	-----	-----
	442,514	658,592
	-----	-----

BI AUTOMOTIVE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997
(continued)

13. DEBTORS

	1997 £	1996 £
Trade debtors	1,324,063	1,297,718
Amounts owed by group undertakings	569,203	247,286
Other debtors	16,578	5,095
VAT	-	34,007
Corporation tax recoverable	70,650	2,795
Prepayments and accrued income	75,231	37,957
	----- 2,055,725	----- 1,624,858

Amounts owed by group undertakings includes £541,599 (1996 : £241,602) due after more than one year.

14. CREDITORS: Amounts falling due within one year

Bank overdraft	-	91,050
Finance lease obligations	265,420	97,990
Trade creditors	843,820	1,375,153
Amounts owed to group undertakings	253	2,384,166
VAT	47,827	-
Other taxation and social security	59,493	28,104
Other creditors	67,935	25,543
Accruals and deferred income	121,067	220,086
	----- 1,405,815	----- 4,222,092

15. CREDITORS: Amounts falling due after more than one year

Finance lease obligations due 2 to 5 years	146,348	62,033
Amounts owed to group undertakings	4,642,948	-
Accruals and deferred income	78,194	-
	----- 4,867,490	----- 62,033

There are no predetermined repayment dates or interest payment arrangements applying to amounts owed to group undertakings. However, repayment will not be requested within one year.

BI AUTOMOTIVE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997
(continued)

16. PROVISION FOR LIABILITIES AND CHARGES

The movement on the deferred taxation account was as follows:

	£
Balance at 1st April 1996	48,224
Transfer to profit and loss account	(2,224)
Transfer from group undertaking	160,000

Balance at 31st March 1997	206,000

Full provision has been made for deferred taxation on the liability method at a corporation tax rate of 33% as follows:

	Amount Provided	
Accelerated capital allowances	242,000	101,252
Short term timing differences	(36,000)	(53,028)
	-----	-----
	206,000	48,224
	-----	-----

All timing differences were fully provided in 1997 and 1996.

17. SHARE CAPITAL

Authorised:		
1,500,000 Ordinary shares of £1 each	1,500,000	1,500,000
	-----	-----
Issued, allotted, called up and fully paid:		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
	-----	-----

18. RESERVES

	Share Premium £	Profit and Loss Account £
At 1st April 1996	716,749	379,769
Retained loss for the financial year	-	(355,529)
	-----	-----
At 31st March 1997	716,749	24,240
	-----	-----

BI AUTOMOTIVE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997
(continued)

19. LEASE COMMITMENTS

The company was committed to annual obligations under non-cancellable operating leases expiring:

	1997		1996	
	Land and buildings £	Other £	Land and buildings £	Other £
Within 1 year	-	131	-	-
Between 2 to 5 years	-	49,634	-	25,323
Over 5 years	223,000	-	135,000	-
	-----	-----	-----	-----
	223,000	49,765	135,000	25,323
	-----	-----	-----	-----

20. CONTINGENT LIABILITIES

The company is guarantor to US\$35,000,000 8.75% Senior Notes dated 23rd July 1996 which are repayable between July 2004 and July 2008.

The company has also guaranteed bank liabilities of certain fellow subsidiary undertakings amounting to £21,273,982 (1996 : £4,346,147).

21. CAPITAL COMMITMENTS

	1997 £	1996 £
Contracted for but not provided in the accounts	90,800	-
	-----	-----

22. PENSIONS

The company is a member of a defined benefit pension scheme operated by the immediate parent undertaking, BI Group Plc. Contributions are paid in accordance with the recommendations of independent actuaries, based on the regular cost of providing benefits across the group as a whole. Particulars of the scheme are given in the accounts of BI Group Plc.

23. RELATED PARTY DISCLOSURES

The company is controlled by BI Group Plc. The ultimate controlling party is The National Industries Co. S.A.K.

The company has taken advantage of the exemption given in Financial Reporting Standard No 8 Related Party Disclosures with respect to inter group disclosures as the group controls at least 90% of the company's voting share capital and the group accounts are publicly available.

BI AUTOMOTIVE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997
(continued)

24. ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP

The company is a subsidiary undertaking of The National Industries Co. S.A.K. which is the ultimate parent company incorporated in Kuwait.

The largest group in which the results of the company are consolidated is that headed by NIC Holdings (UK) PLC, incorporated in the United Kingdom. The smallest group in which they are consolidated is that headed by BI Group Plc incorporated in the United Kingdom.