

Company Registration No. 938893

SENIOR ENGINEERING INVESTMENTS LIMITED

Report and Financial Statements

31 December 2005



SENIOR ENGINEERING INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

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SENIOR ENGINEERING INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J R Kerr-Muir
G R Menzies
M Rollins

SECRETARY

A J Bodenham

REGISTERED OFFICE

59/61 High Street
Rickmansworth
Hertfordshire
WD3 1RH

BANKERS

HSBC Bank plc
8 Canada Square
London E14 5XL

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Birmingham

SENIOR ENGINEERING INVESTMENTS LIMITED

DIRECTORS' REPORT

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

Principal activity

The Company continues to act as a non-trading intermediate holding company within the Senior plc group of companies and is expected to do so for the foreseeable future.

Results and dividends

The results for the year were as follows:

	£000
Profit and loss account, 1 January 2005	(596)
Profit for the financial year	16,204
Dividends paid	(14,000)
Difference on foreign exchange matching within reserves	7
Profit and loss account, 31 December 2005	<u>1,615</u>

Directors and their interests

The following directors held office during the year:

J R Kerr-Muir
G R Menzies
M Rollins

The directors who hold office at the year end had no interests in the shares of the Company, other than by virtue of their interests (which are all beneficial) in the shares of Senior plc. The interests of J R Kerr-Muir, G R Menzies and M Rollins are disclosed in the accounts of Senior plc.

The directors had no other interests requiring to be disclosed under Schedule 7 of the Companies Act 1985.

Approved by the Board of Directors
and signed on behalf of the Board



A J Bodenham
Secretary

SENIOR ENGINEERING INVESTMENTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company 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.
- ◆ 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 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 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 SENIOR ENGINEERING INVESTMENTS LIMITED

We have audited the financial statements of Senior Engineering Investments Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 15. These financial statements have been prepared under 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 law and United Kingdom Generally Accepted Accounting Practice. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report 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 company is not disclosed.

We read the directors' report and other information contained in the annual report for the above year as described in the contents section 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Birmingham

25 May 2006

SENIOR ENGINEERING INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2005

	Notes	2005 £000	2004 £000
Income from shares in group undertakings	2	30,322	34,393
Interest receivable and similar income	3	1,458	1,278
Loss on disposal of subsidiary undertaking	8	-	(3,650)
Loss on liquidation of subsidiary undertakings	8	-	(76,848)
Waiver of amounts payable on liquidation of subsidiary undertakings		-	68,510
Interest payable and similar charges	4	<u>(17,875)</u>	<u>(16,307)</u>
Profit on ordinary activities before taxation	5	13,905	7,376
Tax on profit on ordinary activities	6	<u>2,299</u>	<u>3,907</u>
Profit for the financial year	13	<u>16,204</u>	<u>11,283</u>

All activities relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2005

	2005 £000	2004 £000
Profit for the financial year	16,204	11,283
Currency translation differences on foreign currency net investments	3,277	(2,047)
Currency translation differences on foreign currency loans	<u>(3,270)</u>	<u>2,043</u>
Total recognised gains and losses since last annual report	<u>16,211</u>	<u>11,279</u>

SENIOR ENGINEERING INVESTMENTS LIMITED

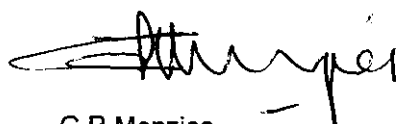
BALANCE SHEET

31 December 2005

	Notes	2005 £000	2004 £000
Fixed assets			
<i>Investments in subsidiary undertakings, net</i>	8	<u>308,470</u>	<u>305,193</u>
Current assets			
Debtors: Amounts falling due after more than one year	9	25,623	25,623
Debtors: Amounts falling due within one year	9	41	1,818
Cash at bank and in hand		<u>5,723</u>	<u>4,199</u>
		<u>31,387</u>	<u>31,640</u>
Creditors: Amounts falling due within one year	10	<u>(1,395)</u>	<u>(2,173)</u>
Net current assets		<u>29,992</u>	<u>29,467</u>
Total assets less current liabilities		338,462	334,660
Creditors: Amounts falling due after more than one year	11	<u>(274,455)</u>	<u>(334,536)</u>
Net assets		<u>64,007</u>	<u>124</u>
 Capital and reserves			
Called up share capital	12	62,000	328
Profit and loss account	13	1,615	(596)
Other reserves	13	<u>392</u>	<u>392</u>
Equity shareholders' funds	13	<u>64,007</u>	<u>124</u>

These financial statements were approved by the Board of Directors on 24 May 2006.

Signed on behalf of the Board of Directors:



G R Menzies
Director



M Rollins
Director

SENIOR ENGINEERING INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

1 Statement of accounting policies

The principal accounting policies are as set out below:

a) Basis of accounting

The accounts are prepared under the historical cost convention and have been prepared in accordance with applicable financial reporting and UK accounting standards. In accordance with Section 228 (1) of the Companies Act 1985 consolidated accounts have not been prepared.

b) Investments

The Company accounts for its investments in subsidiary undertakings at cost less amounts written off for impairment. Dividends receivable are credited to the Company's profit and loss account when declared, inclusive of tax deducted at source in the country of origin.

c) Taxation

Corporation tax payable is provided on taxable profits at the effective current rate.

Deferred tax is recognised on an undiscounted basis in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as 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 at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

d) Foreign currencies

Transactions denominated in foreign currencies are recorded at actual exchange rates. Monetary assets and liabilities denominated in foreign currencies at the year-end are translated at the rates of exchange prevailing at the year end and the gain or loss is recorded in the profit and loss account, except that exchange differences arising on equity investments denominated in foreign currencies are taken to reserves net of exchange differences arising on related foreign currency borrowings.

e) Cash flow statement

No cash flow statement has been prepared as the ultimate parent company prepares a consolidated cash flow statement which includes the results of the Company in accordance with Financial Reporting Standard No. 1.

f) Transactions with related parties

In accordance with the provision of Financial Reporting Standard No. 8, the Company has not presented details of transactions with group entities as the accounts of Senior plc, which include the Company, are publicly available.

SENIOR ENGINEERING INVESTMENTS LIMITED**NOTES TO THE ACCOUNTS (continued)****2 Income from shares in group undertakings**

	2005 £000	2004 £000
Dividends from subsidiary undertakings - UK	20,588	34,393
Dividends from subsidiary undertakings - Overseas	9,734	-
	<u>30,322</u>	<u>34,393</u>

3 Interest receivable and similar income

	2005 £000	2004 £000
Interest receivable – intra group	1,458	1,278
	<u>1,458</u>	<u>1,278</u>

4 Interest payable and similar charges

	2005 £000	2004 £000
Interest payable - intra group	17,875	16,307
	<u>17,875</u>	<u>16,307</u>

5 Profit on ordinary activities before taxation

Directors' remuneration for services provided to the Company was £nil (2004 £nil).
The Company has no other employees (2004 nil).

Auditors' remuneration was borne by the parent company (2004 £nil).

6 Taxation

	2005 £000	2004 £000
Corporation tax credit at 30% (2004 – 30%) based on the profit for the year	<u>2,299</u>	<u>3,907</u>

The tax credit for the year is disproportionate as the majority of income is not subject to corporation tax.

Reconciliation of current tax credit for the year:

	2005 £000	2004 £000
Profit on ordinary activities before taxation	<u>13,905</u>	<u>7,376</u>
Tax at 30% thereon	(4,172)	(2,213)
Effects of:		
UK dividend income	6,176	10,318
Foreign tax credits on overseas dividend income	513	-
Expenses / losses, net, not deductible for tax purposes	(1,037)	(3,596)
Prior period tax losses now recognised	819	-
Unrelieved tax losses	<u>-</u>	<u>(602)</u>
Current tax credit for the year	<u>2,299</u>	<u>3,907</u>

SENIOR ENGINEERING INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)

6 Taxation (continued)

Factors that may affect the future tax charge:

A deferred tax asset has not been recognised in respect of tax losses carried forward as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £1,858,000 (2004 - £824,000). The asset would be recovered if the company makes sufficient profits from its non-trading activities in the future.

7 Dividends

	2005 £000	2004 £000
Interim dividend paid	<u>14,000</u>	<u>14,000</u>

An interim dividend of £42.74 per share was paid to Senior plc, the ultimate parent company.

8 Fixed asset investments in subsidiary undertakings

	Shares at cost £000	Provision for impairment £000	Net book value £000
At 1 January 2005	305,193	-	305,193
Currency variations	<u>3,277</u>	<u>-</u>	<u>3,277</u>
At 31 December 2005	<u>308,470</u>	<u>-</u>	<u>308,470</u>

During the prior year the following transactions took place:

1. The Company disposed of its entire interest in a subsidiary undertaking, Senior Flexonics Limited, with a net book value of £2,023,000, for a net consideration of £898,000. The Company also made full provision against the non-recovery of deferred consideration receivable comprising convertible preference shares with a face value of £2,525,000, giving rise to a total loss on disposal of £3,650,000.
2. Two dormant subsidiary undertakings, Senior Engineering (Finance) Limited and Senior Holdings Limited, with a total investment net book value of £76,848,000, were dissolved during the year.

The trading subsidiary undertakings of the Company, all of which are wholly-owned and registered in England and Wales are as follows:

Name	Nature of trade
Senior UK Limited	Aerospace and automotive.
Senior Hargreaves Limited	Specialised industrial.

SENIOR ENGINEERING INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)

8 Fixed asset investments in subsidiary undertakings (continued)

The shares of the overseas subsidiary undertakings of the Company, with minor exceptions, are held directly or indirectly by Senior Investments A.G., a wholly-owned company incorporated in Switzerland. The overseas trading subsidiary undertakings of the Company, all of which are directly or indirectly wholly-owned by Senior Investments A.G., unless otherwise indicated, are as follows:

Name	Nature of Trade	Country of Incorporation
Senior Aerospace Ermeto S.A.S.	Aerospace	France
Senior Automotive Blois S.A.S.	Automotive	France
Senior Calorstat S.A.S.	Aerospace	France
Senior Operations Inc.	Aerospace, automotive and specialised industrial	USA
Senior Operations (Canada) Limited	Specialised industrial	Canada
Senior Berghöfer GmbH	Automotive	Germany
Senior Aerospace Bosman B.V.*	Aerospace	The Netherlands
Senior do Brasil Ltda	Automotive	Brazil
Senior Automotive Czech s.r.o.	Automotive	Czech Republic
Senior Automotive S.A. (Pty) Limited	Automotive	South Africa
Senior India Private Limited	Automotive	India

*Directly wholly-owned by Senior Engineering Investments B.V., a wholly-owned company incorporated in The Netherlands.

9 Debtors

	2005 £000	2004 £000
Amounts falling due within one year:		
Current tax recoverable	-	1,447
Interest receivable – due from group undertakings	41	371
	<u>41</u>	<u>1,818</u>
Amounts falling due after more than one year:		
Amounts due from group undertakings	25,623	25,623
	<u>25,623</u>	<u>25,623</u>
Total Debtors	<u>25,644</u>	<u>27,441</u>

10 Creditors: Amounts falling due within one year

	2005 £000	2004 £000
Interest payable - due to group undertakings	427	2,173
Amounts due to group undertakings	968	-
	<u>1,395</u>	<u>2,173</u>

SENIOR ENGINEERING INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)

11 Creditors: Amounts falling due after more than one year

	2005 £000	2004 £000
Amounts due to group undertakings	<u>274,455</u>	<u>334,536</u>

Amounts due to group undertakings are unsecured and repayable after more than one year.

Of the total inter group balances payable £178,700,000 bears interest at a fixed rate of 6%, £64,360,000 at variable market rates, with the remaining loan balance of \$54,000,000 being interest free.

12 Called-up equity share capital

	2005 £000	2004 £000
Authorised		
150,000,000 (2004 – 500,000) shares of £1 each	<u>150,000</u>	<u>500</u>
Allotted, called-up and fully-paid		
62,000,000 (2004 - 327,533) shares of £1 each	<u>62,000</u>	<u>328</u>

During the year, the Company, having increased its authorised share capital to £150 million, allotted 61,672,467 shares with a nominal value of £61,672,467 to its parent company, Senior plc. Consideration received in respect of these shares was £ 61,672,467, satisfied by the capitalisation of part of an interest bearing loan due to the parent company.

13 Equity shareholders' funds

	Share capital £000	Profit & loss account £000	Other reserves £000	Total Reserves £'000	Total shareholder's Funds £000
At 1 January 2005	328	(596)	392	(204)	124
Shares issued during year	61,672	-	-	-	61,672
Profit for the financial year	-	16,204	-	16,204	16,204
Gain on foreign currency investments	-	3,277	-	3,277	3,277
Loss on foreign currency loans offset against foreign currency investments	-	(3,270)	-	(3,270)	(3,270)
Dividends paid	-	(14,000)	-	(14,000)	(14,000)
At 31 December 2005	<u>62,000</u>	<u>1,615</u>	<u>392</u>	<u>2,007</u>	<u>64,007</u>

Other reserves comprise a capital contribution received from the parent company during 1992 which is considered by the Company to be distributable.

SENIOR ENGINEERING INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)

13 Equity shareholders' funds (continued)

Reconciliation of movement in equity shareholder's funds

	2005 £000	2004 £000
Profit for the financial year	16,204	11,283
Shares issued during year	61,672	-
Dividends paid	(14,000)	(14,000)
Difference on foreign exchange matching within reserves	7	(4)
	<u>63,883</u>	<u>(2,721)</u>
Opening shareholder's funds	124	2,845
Closing shareholder's funds	<u>64,007</u>	<u>124</u>

14 Guarantees and other financial commitments

(a) Revolving credit facility

The company is a guarantor, jointly and severally, with certain other group companies of a committed £46 million multi-currency revolving credit facility dated 23 October 2003, amended by an agreement dated 7 June 2005 and maturing 31 October 2007. At 31 December 2005 the total amounts borrowed under this facility were £7.2 million comprising Euro 6.3 million and US\$5.0 million. At 31 December 2004 there were no amounts drawn under this facility.

(b) Bank guarantees

The company is a guarantor, jointly and severally, with certain other group companies of all indebtedness of certain US group companies to their US clearing banker, including a committed single bank US\$25 million revolving credit facility and a US\$5 million letter of credit facility, maturing on 31 May 2007. At 31 December 2005 there were no amounts drawn under the revolving credit facility (2004 - £nil) and US\$2.5 million drawn under the letter of credit facility (2004 - US\$1.9 million).

15 Parent company

The Company's parent company, ultimate parent undertaking and controlling party is Senior plc, which is registered in England and Wales. The consolidated accounts of the parent company and its subsidiaries are available to the public from Senior plc, 59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH.