

Company Registration No. 938893

SENIOR ENGINEERING INVESTMENTS LIMITED

Report and Financial Statements

31 December 2002



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SENIOR ENGINEERING INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

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SENIOR ENGINEERING INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr J R Kerr-Muir
Mr G R Menzies
Mr M Rollins

SECRETARY

Mr A J Bodenham

REGISTERED OFFICE

59/61 High Street
Rickmansworth
Hertfordshire
WD3 1RH

BANKERS

HSBC Bank plc
8 Canada Square
London E14 5HQ

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 auditor's report for the year ended 31 December 2002.

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 2002	2,648
Profit for the financial year	1,689
Dividends paid	(3,000)
Tax recognised on foreign exchange matching within reserves	(795)
Profit and loss account, 31 December 2002	<u>542</u>

Directors and their interests

The following directors held office during the year:

J R Kerr-Muir
G R Menzies
M Rollins

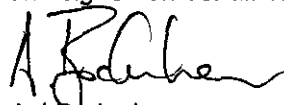
The directors who hold office at the year end had no interests in the shares of the Company, other than by virtue of their interests (which are all beneficial) in the shares of Senior plc. The interests of J R Kerr-Muir, G R Menzies and M Rollins are disclosed in the accounts of Senior plc.

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

Auditors

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as Company's auditor will be proposed at the forthcoming Annual General Meeting.

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 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

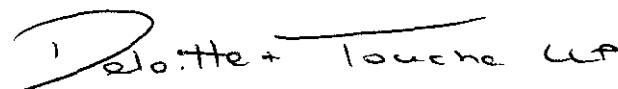
Basis of audit opinion

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 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 as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham

2 October 2003

SENIOR ENGINEERING INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2002

	Notes	2002 £000	2001 £000
Income from shares in group undertakings	2	14,769	13,752
Interest receivable and similar income	3	1,333	-
Impairment of fixed asset investments	8	(6,510)	-
Loss on disposal of investments		-	(355)
Interest payable and similar charges	4	<u>(10,719)</u>	<u>(5,736)</u>
(Loss) / Profit on ordinary activities before taxation	5	(1,127)	7,661
Taxation	6	<u>2,816</u>	<u>1,832</u>
Profit for the financial year	13	1,689	9,493
Dividends	7	<u>(3,000)</u>	<u>(7,000)</u>
(Loss) / Profit for the year		<u>(1,311)</u>	<u>2,493</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2002

	2002 £000	2001 £000
Profit for the financial year	1,689	9,493
Currency translation differences on foreign currency net investments	(3,453)	746
Currency translation differences on foreign currency loans	3,453	(746)
Tax on currency translation differences on foreign currency loans	<u>(795)</u>	<u>-</u>
Total recognised gains and losses since last annual report	<u>894</u>	<u>9,493</u>

SENIOR ENGINEERING INVESTMENTS LIMITED


BALANCE SHEET

31 December 2002

	Notes	2002 £000	2001 (As restated) £000
Fixed assets			
Investments in subsidiary undertakings, net	8	403,013	412,554
Current assets			
Debtors: Amounts falling due after more than one year	9	58,840	59,315
Debtors: Amounts falling due within one year	9	2,021	1,832
		60,861	61,147
Creditors: Amounts falling due within one year	10	(328)	(2,162)
Net current assets		60,533	58,985
Total assets less current liabilities		463,546	471,539
Creditors: Amounts falling due after more than one year	11	(462,284)	(468,171)
Net assets		1,262	3,368
Capital and reserves			
Called up share capital	12	328	328
Profit and loss account	13	542	2,648
Other reserves	13	392	392
Equity shareholders' funds	13	1,262	3,368

These financial statements were approved by the Board of Directors on 26 September 2003.

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 2002

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 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.

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**

	2002 £000	2001 £000
Dividends from subsidiary undertakings - UK	14,769	13,752
	<u>14,769</u>	<u>13,752</u>

3 Interest receivable and similar income

	2002 £000	2001 £000
Foreign currency translation difference	1,333	-
	<u>1,333</u>	<u>-</u>

This income comprises excess foreign currency exchange gains arising on foreign currency loans used to hedge equity investments denominated in foreign currencies. In line with SSAP20, this excess gain has been taken directly to the profit and loss account as income.

4 Interest payable and similar charges

	2002 £000	2001 £000
Interest payable - third party	(3)	12
- intra group	10,722	5,435
Foreign currency translation difference	-	289
	<u>10,719</u>	<u>5,736</u>

5 Profit on ordinary activities before taxation

Directors' remuneration for services provided to the Company was £nil in both 2001 and 2002. The Company has no other employees.

Auditors' remuneration was borne by the parent company.

6 Taxation

	2002 £000	2001 £000
Corporation tax credit at 30% (2001 - 30%) based on the profit for the year	2,816	1,832

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:

	2002 £000	2001 £000
(Loss)/profit on ordinary activities before taxation	(1,127)	7,661
Tax at 30% thereon	338	(2,298)
Effects of:		
UK dividend income	4,431	4,126
Expenses not deductible for tax purposes	(1,953)	(106)
Foreign exchange	-	110
Current tax credit for the year	<u>2,816</u>	<u>1,832</u>

SENIOR ENGINEERING INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)

7 Dividends

	2002 £000	2001 £000
Interim dividends paid	<u>3,000</u>	<u>7,000</u>

An interim dividend 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 2002 (As restated)	422,065	(9,511)	412,554
Amounts written out on dissolution of subsidiary undertakings	(5,300)	5,722	422
Impairment in investments due to dividends received	-	(4,039)	(4,039)
Impairment in investments due to decrease in net asset value of subsidiary undertakings	-	(2,471)	(2,471)
Currency variations	(3,453)	-	(3,453)
At 31 December 2002	<u>413,312</u>	<u>(10,299)</u>	<u>403,013</u>

Dormant subsidiary undertakings with an investment cost of £5,300,000 and net intergroup debtor balances of £422,000 were dissolved during the year. As these debtor balances had been fully provided against in prior years' accounts, upon the dissolution of the subsidiary undertakings concerned, this gave rise to a write back to investments of £422,000.

During the year the following acquisitions took place:

1. The entire issued share capital of Thornskill Limited, comprising 37,000 ordinary shares of £1 each, was purchased from Senior Flexonics Limited, a subsidiary undertaking, for consideration of £1. Thornskill Limited is a non-trading company registered in England and Wales.
2. The entire issued share capital of Senior Holdings Limited, comprising 40,000 ordinary shares of £1 each, was purchased from Stovestile Limited, a subsidiary undertaking for consideration of £1. Senior Holdings Limited is a non-trading company registered in England and Wales.

Investments in subsidiary undertakings as reported in the prior year have been restated as a result of intergroup loan balances now being shown separately on the face of the balance sheet. Previously, investments in subsidiary undertakings were shown net of loans due to those undertakings.

This restatement has been made as it is considered to be a fairer reflection of the balance sheet at any point in time.

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 Flexonics Limited	Specialised industrial.
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
Flexonics S.A.S.	Specialised industrial	France
Senior Operations Inc.	Aerospace, automotive and specialised industrial	USA
Habia Teknofluor AB	Specialised industrial	Sweden
Senior Operations (Canada) Limited	Specialised industrial	Canada
Senior Berghöfer GmbH	Automotive	Germany
Senior Aerospace Bosman B.V.*	Aerospace	The Netherlands
Senior Flexonics B.V.*	Specialised industrial	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

	2002 £000	2001 £000
Current tax recoverable (due within one year)	2,021	1,832
Amounts due from group undertakings (due after more than one year)	58,840	59,315
	<u>60,861</u>	<u>61,147</u>

10 Creditors: Amounts falling due within one year

	2002 £000	2001 £000
Bank overdraft	5	1,580
Unsecured loan notes	-	224
Interest payable - third party	-	35
- due to group undertakings	323	323
	<u>328</u>	<u>2,162</u>

SENIOR ENGINEERING INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)

11 Creditors: Amounts falling due after more than one year

	2002	2001 (As restated)
	£000	£000
Amounts due to group undertakings	<u>462,284</u>	<u>468,171</u>

Prior year balances have been restated as a result of intergroup loan balances now being shown separately on the face of the balance sheet. Previously, intergroup creditor balances were netted off against investments in subsidiary undertakings.

This restatement has been made as it is considered to be a fairer reflection of the balance sheet at any point in time.

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

£178,000,000 of the total intergroup balance payable to Senior plc bears interest at the rate of 6%. The remaining loan balances are interest free.

12 Called-up equity share capital

	2002 £000	2001 £000
Authorised		
500,000 shares of £1 each	<u>500</u>	<u>500</u>
Allotted, called-up and fully-paid		
327,533 shares of £1 each	<u>328</u>	<u>328</u>

13 Equity shareholders' funds

	Reserves				Total shareholder's funds
	Share capital £000	Profit & loss account £000	Other reserves £000	Total reserves £'000	£000
At 1 January 2002	328	2,648	392	3,040	3,368
Profit for the financial year	-	1,689	-	1,689	1,689
Loss on foreign currency investments		(3,453)		(3,453)	(3,453)
Gain on foreign currency loans offset against foreign currency investments	-	3,453	-	3,453	3,453
Tax on gain on foreign currency loans	-	(795)	-	(795)	(795)
Dividends paid	-	(3,000)	-	(3,000)	(3,000)
At 31 December 2002	<u>328</u>	<u>542</u>	<u>392</u>	<u>934</u>	<u>1,262</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

	2002 £000	2001 £000
Profit for the financial year	1,689	9,493
Dividends paid	(3,000)	(7,000)
Tax recognised on foreign exchange matching within reserves	(795)	-
	<u>(2,106)</u>	<u>2,493</u>
Opening shareholder's funds	3,368	875
Closing shareholder's funds	<u>1,262</u>	<u>3,368</u>

14 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.