

Hills Precision Components Limited

2145693

Annual report for the year ended 31 December 1995

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Directors' report for the year ended 31 December 1995

The directors present their report and the audited financial statements for the year ended 31 December 1995.

Principal activities

The Company is engaged in the manufacture, assembly and sale of automotive components including seats, moulded plastic parts, foamed plastic parts and exhausts.

Review of business

1995 has been a year of progress with a continuing growth in turnover and improved profitability. Customer car assembly production volumes have remained relatively stable, with an expanded product range accounting for the sales growth. Productivity and reorganisation initiatives have been major contributors to the Company's improved profitability. The Company's results are considered to be satisfactory, but it is recognised that the average performance for the industry has yet to be achieved.

The Company's results for 1996 are also expected to be satisfactory assuming recent progress is maintained.

Donations

The Company made no donations for charitable or political purposes.

Dividends and transfers to reserves

Movements in reserves are shown in note 20 on page 17. No dividends have been or are recommended to be paid in respect of the year ended 31 December 1995.

Fixed assets

Movements in fixed assets are shown in note 10 on page 15.

Directors

The directors' of the Company at 31 December 1995, all of whom have been directors for the whole of the year ended on that date, are as follows:

Sir Geoffrey Whalen CBE - Chairman
L Defline
W J Farmer
P J M N Gilbert
B Irion
R D Parham

Directors (continued)

Mr G Nicolet retired from the Board on 30 June 1995.

Mr R D Parham retires from the Board by rotation and, being eligible, offers himself for re-election.

Directors' interests

None of the directors had a material financial interest in any contract to which the Company was a party. None of the directors' had a financial interest in any of the shares of the Company nor are there any schemes to benefit directors by enabling them to buy shares or debentures of the Company.

Employees

(a) Employment of disabled persons

It is the policy of the Company to:

- (i) give full and fair consideration to all applicants for employment in the light of their abilities, aptitudes and medical status, so as to ensure that they may perform their function without risk to their health or that of others;
- (ii) re-employ wherever possible an employee who becomes disabled, either on his own job, or on other suitable employment, and to provide such on-the-job training as required;
- (iii) provide all disabled employees with the same opportunities for training, career development and promotion as other employees of the Company.

(b) Health, safety and welfare at work of employees

The Company accords the greatest importance to the health and safety of its employees in their working environment. It accepts that it is the duty of management to design, construct, operate and maintain plant, equipment and facilities in such a manner as to prevent personal harm to employees, to those for whom it has a responsibility and to members of the general public. A comprehensive policy for health and safety has therefore been published, circulated to all employees and implemented.

(c) Employee environment

In the period under review, the Company has maintained its policy of regularly providing all employees and where they are represented, the Trade Unions, with information on the Company's position.

Information on matters of concern to employees, and to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance, is given through communication documents, reports and a Company journal.

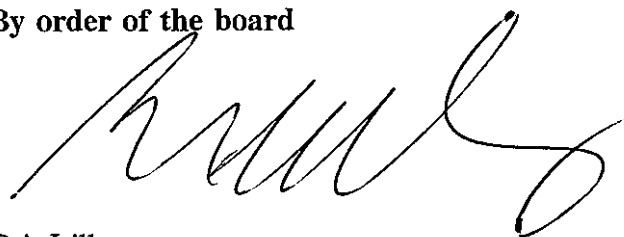
(d) Training

The company continues to regard the training of its employees as a high priority and in the past year has substantially increased its training resource and activity.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'RA Lilley', written in a cursive style.

RA Lilley
Secretary
15 April 1996

Statement of directors' responsibilities

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 and of the profit or loss of the Company for that period. In preparing those financial statements, the directors confirm that they:

- select suitable accounting policies and then apply them consistently;
- make judgements on estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Report of the auditors to the members of Hills Precision Components Limited

We have audited the financial statements on pages 6 to 18.

Respective responsibilities of directors and auditors

As described on page 4, the Company's directors are responsible for the preparation of the financial statement. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

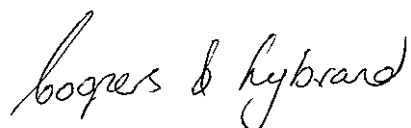
Basis of opinion

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 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 31 December 1995 and of its profit and cashflows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants and Registered Auditors
Birmingham
15 April 1996

Profit and loss account for the year ended 31 December 1995

	Notes	1995 £	1994 £
Turnover - continuing operations	2	55,624,787	53,995,144
Cost of sales		(51,734,232)	(50,375,126)
Gross profit		3,890,555	3,620,018
Other operating income and expenses	3	(1,431,149)	(1,352,731)
Operating profit - continuing operations		2,459,406	2,267,287
Interest receivable		614,525	182,427
Interest payable and similar charges	6	(423,109)	(334,099)
Profit on ordinary activities before taxation	7	2,650,822	2,115,615
Tax on profit on ordinary activities	8	(768,724)	-
Retained profit for the year	20	1,882,098	2,115,615

The Company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of recognised gains and losses has been presented.

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.

Balance sheet at 31 December 1995

	Notes	1995 £	1994 £
Fixed assets			
Tangible assets	10	3,460,166	3,949,622
Current assets			
Stocks	11	2,368,924	1,797,235
Debtors	12	15,638,982	16,017,875
Cash at bank and in hand		220	180
		18,008,126	17,815,290
Creditors: amounts falling due within one year	13	16,469,635	15,648,353
Net current assets		1,538,491	2,166,937
Total assets less current liabilities		4,998,657	6,116,559
Creditors: amounts falling due after more than one year	14	-	(3,000,000)
Net assets		4,998,657	3,116,559
Capital and reserves			
Called up share capital	17	5,480,008	5,480,008
Profit and loss account	20	(481,351)	(2,363,449)
Equity shareholders' funds	21	4,998,657	3,116,559

The financial statements on pages 6 to 18 were approved by the board of directors on 15 April 1996 and were signed on its behalf by:


Sir Geoffrey Whalen CBE
Chairman

Cash flow statement for the year ended 31 December 1995

	Notes	1995 £	1994 £
Net cash inflow from continuing operating activities (reconciliation to operating profit on page 9)	A	3,307,038	849,076
Returns on investments and servicing of finance			
Interest received		587,683	741,860
Interest paid		(640,032)	(1,009,316)
Net cash outflow from returns on investments and servicing of finance		(52,349)	(267,456)
Investment activities			
Purchase of tangible fixed assets		(316,670)	(197,404)
Sale of tangible fixed assets		62,021	431,664
Net cash (outflow)/inflow from investing activities		(254,649)	234,260
Net cash inflow before financing		3,000,040	815,880
Financing			
Repayment of loan		(3,000,000)	(1,816,000)
Share capital issued		-	1,000,000
Net cash outflow from financing		(3,000,000)	(816,000)
Increase/(decrease) in cash and cash equivalents	B	40	(120)

Notes to cash flow statement for the year ended 31 December 1995

A Reconciliation of operating profit to net cash inflow from operating activities

	1995 £	1994 £
Continuing operating activities		
Operating profit	2,459,406	2,267,287
Depreciation on tangible fixed assets	825,930	1,533,149
Permanent diminution in value of fixed assets	88,349	463,326
Gain on sale of tangible fixed assets	(59,000)	-
Increase in stocks	(571,689)	(69,559)
Decrease/(increase) in debtors	405,735	(6,170,364)
Increase in creditors	158,307	2,825,237
Net cash inflow from continuing operating activities	<u>3,307,038</u>	<u>849,076</u>

B Analysis of changes in cash and cash equivalents during the year

	1995 £	1994 £
Cash at bank and in hand		
Balance at 1 January	180	300
Net cash inflow/(outflow)	<u>40</u>	<u>(120)</u>
Balance at 31 December	<u>220</u>	<u>180</u>

C Analysis of changes in financing during the year

	1995 Share Capital £	1995 Loan £	1994 Share capital £	1994 Loan £
Balance at 1 January	5,480,008	3,000,000	4,480,008	4,816,000
Cash (outflow)/inflow from financing	<u>-</u>	<u>(3,000,000)</u>	<u>1,000,000</u>	<u>(1,816,000)</u>
Balance at 31 December	<u>5,480,008</u>	<u>-</u>	<u>5,480,008</u>	<u>3,000,000</u>

**Notes to the financial statements
for the year ended 31 December 1995****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Turnover

Turnover comprises amounts invoiced to customers and is exclusive of Value Added Tax.

Deferred taxation

Deferred taxation is provided at the current rate of tax on differences which arise from the inclusion of income and expenditure in taxation computations in periods different to those in which they are included in the accounts, except where the tax reduction is expected to continue in the foreseeable future.

Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first-in, first-out basis, and in the case of manufactured products includes all direct expenditure and production overheads based on the normal level of activity. Provision is made where necessary for obsolete, slow moving and defective stocks.

Tangible fixed assets

Leasehold property and plant and equipment are stated at cost net of grants. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Leasehold land and buildings	Over the period of the lease
Plant and equipment	4%-25%

Assets held under operating leases

Assets held under operating leases are charged to the profit and loss account as the costs are incurred.

Pensions

The expected cost of pensions in respect of the defined benefit schemes in which the company participates is charged to the profit and loss account so as to spread the cost of pensions over the service lives of all the employees in the schemes. The pension schemes are administered by a fellow subsidiary of Peugeot S.A. and contributions are based on pension costs across the group as a whole. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes in accordance with the advice of qualified independent actuaries

Foreign currencies

Assets and liabilities in foreign currencies are translated at rates of exchange ruling at the year end. Exchange losses or gains are charged or credited to the profit and loss account in the year in which they arise.

2 Turnover

The Company produces and sells components for the automotive industry. Exports from the United Kingdom amounted to £1,464,365 (1994: £1,707,888) to other EU countries.

3 Operating expenses

	1995 £	1994 £
Administration expenses	777,380	716,952
Selling expenses	653,769	635,779
	<u>1,431,149</u>	<u>1,352,731</u>

4 Directors' emoluments

	1995 £	1994 £
Fees	-	-
Other emoluments (including pension contributions and benefits in kind)	<u>86,644</u>	<u>82,231</u>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1995 £	1994 £
The chairman	<u>-</u>	<u>-</u>
The highest-paid director	<u>72,474</u>	<u>68,843</u>

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1995 Number	1994 Number
£0 to £5,000	6	7
£65,001 to £70,000	-	1
£70,001 to £75,000	1	-

Six of the directors are also directors or executives of ECIA or Peugeot Motor Company PLC and no part of any remuneration they received from these companies was in respect of duties performed relating to the Company.

5 Employee information

The average weekly number of persons (including executive directors) employed by the Company during the year was:

	1995 Number	1994 Number
Production	358	376
Administration	10	8
Selling and distribution	7	8
	<u>375</u>	<u>392</u>
	<u><u>375</u></u>	<u><u>392</u></u>
	1995 £	1994 £
Staff costs (for the above persons)		
Wages and salaries	7,444,951	7,892,860
Social security costs	574,630	565,947
Other pension costs (see note 16)	331,113	300,194
	<u>8,350,694</u>	<u>8,759,001</u>
	<u><u>8,350,694</u></u>	<u><u>8,759,001</u></u>

6 Interest payable and similar charges

	1995 £	1994 £
Interest payable to Group companies	<u>423,109</u>	<u>334,099</u>
	<u><u>423,109</u></u>	<u><u>334,099</u></u>

7 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting):

	1995 £	1994 £
Depreciation of tangible assets	825,930	1,533,149
Foreign currency exchange loss/(gain)	155,691	(289,297)
Gain on sale of fixed assets	(59,000)	-
Rental of land and buildings	214,991	207,472
Hire of plant and machinery	319,095	329,807
Auditors remuneration		
- audit	14,575	15,000
- other services	15,830	5,950
Exceptional cost of sales		
- redundancy	239,000	110,612
- permanent diminution in value of fixed assets	88,349	463,326
Assets held under operating leases	300,000	-

8 Tax on profit on ordinary activities

	1995 £	1994 £
United Kingdom corporation tax at 33% (1994: 33%)		
Current	768,724	-

The taxation charge for the year has been reduced by £291,185 in respect of the utilisation of trading losses brought forward from prior years.

9 Dividends

The directors do not propose to pay any dividends in respect of the year ended 31 December 1995 (1994: £nil).

10 Tangible fixed assets

	Leasehold land and buildings under 50 years £	Plant and equipment £	Total £
Cost			
At 1 January 1995	3,295,675	5,999,819	9,295,494
Additions	15,875	411,969	427,844
Disposals	(23,099)	(830,284)	(853,383)
At 31 December 1995	3,288,451	5,581,504	8,869,955
Depreciation			
At 1 January 1995	1,625,058	3,720,814	5,345,872
Depreciation for the year	363,544	462,386	825,930
Disposals	(20,079)	(830,283)	(850,362)
Provision for permanent diminution in value	-	88,349	88,349
At 31 December 1995	1,968,523	3,441,266	5,409,789
Net book value			
At 31 December 1995	1,319,928	2,140,238	3,460,166
At 31 December 1994	1,670,617	2,279,005	3,949,622

11 Stocks

	1995 £	1994 £
Raw materials and consumables	1,211,439	1,159,655
Work in progress	482,924	482,244
Finished goods	674,561	155,336
	2,368,924	1,797,235

12 Debtors

	1995 £	1994 £
Trade debtors	1,530,794	2,828,907
Amounts owing by Peugeot SA Group companies	13,665,503	12,711,259
Other debtors	442,685	477,709
	15,638,982	16,017,875

13 Creditors: amounts falling due within one year

	1995 £	1994 £
Payments received on account	1,822,528	1,238,974
Trade creditors	4,378,570	6,789,829
Amounts owing to Peugeot SA Group companies	6,546,443	4,901,336
Corporation tax	768,724	-
Other creditors	94,767	209,300
Accruals and deferred income	2,858,603	2,508,914
	<u>16,469,635</u>	<u>15,648,353</u>

14 Creditors: amounts falling due after more than one year

	1995 £	1994 £
Medium term loan	-	3,000,000
	<u>-</u>	<u>3,000,000</u>

15 Deferred taxation

No provision for deferred taxation is considered necessary at 31 December 1995 (1994: £nil), and the amount unprovided of the full potential liability is £nil (1994: £nil).

16 Pension and similar obligations

As explained in Note 1 the Company participates in defined benefit pension schemes. The assets of the schemes are held in separate trustee administered funds. The total net pension cost of the Company was £331,113 (1994: £300,194). A liability of £1,215,854 (1994: £813,484) is included in amounts owing to Peugeot SA Group companies, this being the excess of the calculated pensions charge to the profit and loss account under SSAP 24 over the amounts paid into the pension schemes.

The latest actuarial assessments of the pension schemes were at 5th April 1995. The valuations are based on the projected unit method. The assumptions which have the most significant effect on the results are those relating to the rate of return on new and existing investments, and the rates of increase in pay and pensions. It has been assumed that the return on new investments will average 9% per annum, that general pay escalation will average 6.5% per annum, and that present and future pensions, in excess of guaranteed minimum pensions, will increase on average by 4.25% per annum. It has also been assumed existing assets will generate the same return as if they were wholly invested in the shares underlying the FT-SE - Actuaries' All Share Index and dividends were to grow on average by 4.5% per annum.

The market value of the combined assets of the schemes at the valuation date was £396 million. The valuations disclosed that these assets represented 101% of the liabilities in respect of benefits accrued to members. The free assets are financing a small reduction in the participating companies' overall contributions to the schemes.

17 Called up share capital

	1995 £	1994 £
Authorised		
8,000,000 ordinary shares of £1 each	<u>8,000,000</u>	<u>8,000,000</u>
Allotted, called up and fully paid		
5,480,008 ordinary shares of £1 each	<u>5,480,008</u>	<u>5,480,008</u>

18 Capital commitments

	1995 £	1994 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>Nil</u>	<u>Nil</u>
Capital expenditure that has been authorised by the directors but has not yet been contracted for	<u>Nil</u>	<u>Nil</u>

19 Financial commitments

At 31 December 1995 the company had annual commitments under non-cancellable operating leases as follows:

	1995 £	1994 £
Expiring between two and five years inclusive	<u>300,000</u>	<u>-</u>

20 Profit and loss account

	1995 £	1994 £
Opening balance	(2,363,449)	(4,479,064)
Profit for the year	<u>1,882,098</u>	<u>2,115,615</u>
Closing balance	<u>(481,351)</u>	<u>(2,363,449)</u>

21 Reconciliation of movements in shareholders' funds

	1995	1994
	£	£
Issue of ordinary shares	-	1,000,000
Retained profit for the year	1,882,098	2,115,615
Opening shareholders' funds	3,116,559	944
	<hr/>	<hr/>
Closing shareholders' funds	4,998,657	3,116,559
	<hr/>	<hr/>

22 Ultimate parent company

The immediate parent company is ECIA (Equipements et Composants pour l'Industrie Automobile), a company incorporated in France. The ultimate parent company is Peugeot S.A. which is incorporated in France. Copies of the financial statements of the ultimate parent company are available from the Secretary, Peugeot S.A., 75 Avenue de la Grande Armee, Paris, France.