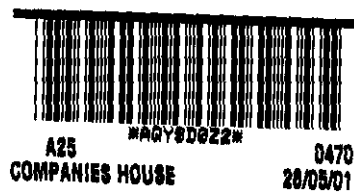


Kostal UK Limited
Annual Report
for the year ended 31 December 2000

Registered Number 2481321



Kostal UK Limited

Annual Report

for the year ended 31 December 2000

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Kostal UK Limited

Directors' report for the year ended 31 December 2000

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activity

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

Review of the business

The result for the year ended 31 December 2000 and the outlook for 2001 are considered to be satisfactory.

Results and dividends

The company's profit for the year was £60,000 (1999: £40,000). It is proposed that no dividend be paid. Accordingly, the profit of £60,000 (1999: £40,000) has been transferred to profit and loss account reserves.

Directors

The following directors were in office during the year:

H Kostal	(German)	
J Schernikau	(German)	
C Sanders		Appointed 1 February 2000
J Nonnenkamp	(German)	
Dr L Laufenberg	(German)	
A Petrie		Resigned 31 January 2000

None of the directors have had any beneficial interest in the shares of the company during the year.

Donations

The company made charitable donations during the year amounting to £2,123 (1999: £1,243).

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of the company's affairs at the balance sheet date and of its profit or loss for that financial year. 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 company's financial position and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the company's assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Kostal UK Limited

Directors' report for the year ended 31 December 2000 (continued)

Employment

The company has a policy of involving employees in its affairs where possible, and creating the opportunity for management to explain to employees matters which affect the company's performance.

The company practises equality of employment opportunity, irrespective of sex, race, creed or colour and recruits, trains and promotes on merit accordingly.

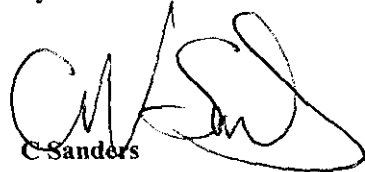
Throughout the company, where practicable, opportunities are taken to employ disabled people and to ensure that they take part in training and career development. The disabled have, within the limits of their disabilities, the same prospects and opportunities for promotion as other employees.

The company is committed to ensure, as far as is possible, the health, safety and welfare at work of its employees and the protection of everyone, including the public, who may come into contact with the company or its products, by undertaking to provide and maintain safe and healthy working conditions taking account of statutory requirements.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution to reappoint them will be placed before the forthcoming Annual General Meeting of the company.

By Order of the Board



C Sanders

Director

30 April 2001

Registered Office:

Unit 16
Goldthorpe Industrial Estate
Rotherham
South Yorkshire
S63 9BL

Kostal UK Limited

Auditors' report to the members of Kostal UK Limited

We have audited the financial statements on pages 4 to 16, which have been prepared under the historical cost convention, and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 1, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you 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 is not disclosed.

We read the other information contained in the Annual Report 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 Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relating 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 2000 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Leeds

30 April 2001

Kostal UK Limited

Profit and loss account for the year ended 31 December 2000

	Note	2000 £'000	1999 £'000
Turnover		30,864	32,470
Cost of sales		(28,412)	(29,326)
Gross profit		2,452	3,144
Selling and distribution costs		(1,100)	(1,361)
Administrative expenses		(899)	(1,405)
Other operating income		184	300
Operating profit	1	637	678
Net interest payable	2	(552)	(589)
Profit on ordinary activities before taxation		85	89
Tax on profit on ordinary activities	4	(25)	(49)
Retained profit for the financial year transferred to reserves	12	60	40

All of the amounts shown above relate to continuing operations.

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

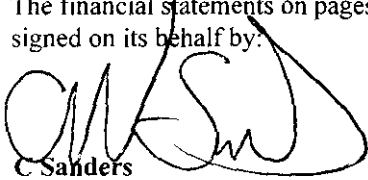
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

Kostal UK Limited

Balance sheet – as at 31 December 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Intangible assets	5	-	4
Tangible assets	6	6,892	7,784
		6,892	7,788
Current assets			
Stocks	7	2,661	3,851
Debtors	8	4,032	5,919
Cash at bank and in hand		1,375	783
		8,068	10,553
Creditors (amounts falling due within one year)	9	(7,100)	(6,541)
Net current assets		968	4,012
Total assets less current liabilities		7,860	11,800
Creditors (amounts falling due after more than one year)	10	(3,000)	(7,000)
Net assets		4,860	4,800
Capital and reserves - equity interests			
Called up share capital	11	2,180	2,180
Profit and loss account	12	2,680	2,620
Total shareholders' funds	13	4,860	4,800

The financial statements on pages 4 to 16 were approved by the board of directors on 30 April 2001 and were signed on its behalf by:


C Sanders
Director

Kostal UK Limited

Statement of cash flows for the year ended 31 December 2000

	Note	2000 £'000	1999 £'000
Net cash inflow from operating activities	14	3,555	799
Returns on investment and servicing of finance			
Interest received		89	1
Loan interest paid		-	(302)
Bank interest paid		-	(28)
Interest paid to group undertaking		(641)	(281)
Net cash outflow from returns on investment and servicing of finance		(552)	(610)
Corporation tax paid		-	(291)
Capital expenditure			
Payments to purchase tangible fixed assets		(482)	(756)
Receipts from sale of tangible fixed assets		71	173
Net cash outflow from capital expenditure		(411)	(583)
Net cash inflow/(outflow) before financing		2,592	(685)
Financing			
Grant received		-	250
Receipt of loan from group undertaking		-	4,000
Repayment of loan to group undertaking		(2,000)	
Repayment of loan		-	(4,000)
Net cash (outflow)/inflow from financing		(2,000)	250
Net increase/(decrease) in cash		592	(435)
Cash at 1 January	15	783	1,218
Cash at 31 December	15	1,375	783

Kostal UK Limited

Accounting policies

Basis of preparation

The accounts have been prepared using the historical cost convention, and in accordance with applicable accounting standards.

Turnover and contract profit recognition

Turnover represents the invoiced amount of goods and services supplied during the year, exclusive of value added tax.

Profit from long-term contract tooling and development projects, the outcome of which can be foreseen with a reasonable degree of certainty, is recognised on the basis of the stage of project completion. Full provision is made for any losses on tooling and development projects as soon as they are anticipated. Turnover recognised to date, less amounts received on account, is included in debtors. To the extent that amounts received from customers exceed related work in progress, such excess is included in creditors.

Research and development

Costs of research and development are charged to the profit and loss account as incurred.

Foreign currency translation

Foreign currency transactions are translated into sterling using the prevailing exchange rate at the date of the transaction. Balance sheet amounts are translated using the year-end exchange rate. Translation differences arising are dealt with in the profit and loss account.

Government grants

Grant income is recognised in the profit and loss account on the same basis as the expenditure to which it is intended to contribute. In the case of fixed asset expenditure the grant is recognised over the economic life of the relevant assets, which is generally taken to be five years.

Pensions

The pension costs charged in the financial statements are in respect of money purchase schemes and represent the contributions payable by the company during the year in accordance with SSAP24.

Intangible assets

Intangible assets, which represent patents and licences, are stated at cost less accumulated amortisation. Amortisation is calculated at rates appropriate to write off the cost of the intangible assets over their estimated useful life, which is taken to be four years.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Freehold land and capital work in progress are not depreciated. Depreciation is calculated at rates appropriate to write off the cost of other assets in equal annual instalments from the time that they become operational over their estimated useful lives, which are as follows:

Freehold buildings	- 25 years
Plant and equipment	- 5 years
Motor vehicles	- 3 years

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Finished goods and work in progress are valued at the cost of direct materials and direct labour plus attributable overheads.

Deferred taxation

No provision is made for deferred tax unless there is a reasonable probability that the tax liability will crystallise in the foreseeable future. Deferred tax assets are not recognised.

Kostal UK Limited

Accounting policies (continued)

Operating leases

Annual rentals in respect of operating leases are charged to operating profit on a straight line basis over the lease term.

Kostal UK Limited

Notes to the financial statement for the year ended 31 December 2000

1 Operating profit

The operating profit is stated after charging/(crediting):

	2000 £'000	1999 £'000
Foreign exchange gain	(124)	(2)
Amortisation of intangible assets	4	16
Depreciation	1,285	1,305
Auditor's remuneration:		
Audit fee including expenses	19	20
Other fees	12	12
Operating leases - equipment	36	48
Loss/(profit) on sale of fixed assets	18	(10)
Grant income release	(150)	(300)

2 Net interest payable

	2000 £'000	1999 £'000
Bank interest payable	-	28
Loan interest payable	-	281
Interest payable to group undertaking	641	281
Bank interest receivable	(89)	(1)
	552	589

Kostal UK Limited

Notes to the financial statement for the year ended 31 December 2000 (continued)

3 Employees and directors

	2000 £'000	1999 £'000
Staff costs:		
Wages and salaries	6,883	7,565
Social security costs	590	854
Pension costs	102	129
	7,575	8,548

	2000 Number	1999 Number
Average number of employees	435	510

Staff costs include the following in respect of directors' emoluments:

	2000 £'000	1999 £'000
Aggregate emoluments	118	114
Pension contributions to money purchase schemes relating to one director	-	11
	118	125

Kostal UK Limited

Notes to the financial statement for the year ended 31 December 2000 (continued)

4 Tax on profit on ordinary activities

	2000 £'000	1999 £'000
Corporation tax on the profit for the year, at 30% (1999: 30.25%)		
Current year	90	49
Prior year	(65)	-
	25	49

No deferred tax liability is expected to crystallise in the foreseeable future and accordingly no provision has been made (1999: £Nil).

The full potential deferred taxation position is as follows:

	2000 £'000	1999 £'000
Capital allowances	585	605
Short-term timing differences	(26)	(26)
	559	579

5 Intangible assets

	£'000
Cost	
At 1 January 2000 and 31 December 2000	338
Amortisation	
At 1 January 2000	334
Charge for the year	4
At 31 December 2000	338
Net book amount	
At 31 December 2000	-
At 31 December 1999	4

Kostal UK Limited

Notes to the financial statement for the year ended 31 December 2000 (continued)

6 Tangible assets

	Freehold land and buildings £'000	Plant and equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 January 2000	6,423	7,174	118	13,715
Additions	4	398	80	482
Disposals	-	(338)	(40)	(378)
At 31 December 2000	6,427	7,234	158	13,819
Depreciation				
At 1 January 2000	1,212	4,628	91	5,931
Charge for the year	241	1,012	32	1,285
Disposals	-	(252)	(37)	(289)
Reclassifications	50	(50)	-	-
At 31 December 2000	1,503	5,338	86	6,927
Net book value				
At 31 December 2000	4,924	1,896	72	6,892
At 31 December 1999	5,211	2,546	27	7,784

7 Stocks

	2000 £'000	1999 £'000
Raw materials	1,254	2,282
Work in progress	686	835
Contract work in progress	478	290
Finished goods	243	444
	2,661	3,851

Kostal UK Limited

Notes to the financial statement for the year ended 31 December 2000 (continued)

8 Debtors

	2000 £'000	1999 £'000
Trade debtors	3,187	4,832
Amounts due from group undertakings	651	536
Amounts recoverable on contracts	117	481
Other debtors	77	70
	4,032	5,919

9 Creditors (amounts due within one year)

	2000 £'000	1999 £'000
Trade creditors	1,776	2,195
Loan from group undertaking	2,000	-
Amounts owed to group undertakings	1,242	2,057
Corporation tax	192	167
Other taxation and social security	438	357
Other creditors and accruals	1,252	1,415
Deferred grant income	200	350
	7,100	6,541

Kostal UK Limited

Notes to the financial statement for the year ended 31 December 2000 (continued)

10 Creditors (amounts falling due after more than one year)

	2000 £'000	1999 £'000
Loan from group undertaking	3,000	7,000

The loan from a fellow group undertaking is unsecured and is repayable as follows:

	2000 £'000	1999 £'000
Within one year	2,000	-
Between one and two years	1,000	2,000
Between two and five years	2,000	5,000
	5,000	7,000

11 Called up share capital

	2000 £'000	1999 £'000
Ordinary shares of £1 each		
2,180,000 Authorised, allotted, issued and fully paid	2,180	2,180

12 Profit and loss account

	£'000
At 1 January 2000	2,620
Profit for the financial year	60
At 31 December 2000	2,680

Kostal UK Limited

Notes to the financial statement for the year ended 31 December 2000 (continued)

13 Reconciliation of movements in shareholders' funds

	£'000
Shareholders' funds at 1 January 2000	4,800
Profit for the year	60
Shareholders' funds at 31 December 2000	4,860

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

	2000 £'000	1999 £'000
Operating profit	637	678
Depreciation charge	1,285	1,305
Amortisation of intangible assets	4	16
Loss/(profit) on disposal of fixed assets	18	(10)
Decrease in stocks	1,190	321
Decrease/(increase) in debtors	2,002	(854)
Decrease in creditors	(501)	(898)
Movement in group balances	(930)	541
Grant income release	(150)	(300)
	3,555	799

15 Analysis of changes in net debt

	As at 1 January 2000 £'000	Cash flow £'000	As at 31 December 2000 £'000
Cash	783	592	1,375

Kostal UK Limited

Notes to the financial statement for the year ended 31 December 2000 (continued)

16 Reconciliation of net cash flow to movement in net debt

	2000 £'000	1999 £'000
Increase/(decrease) in cash	592	(435)
Net decrease in loans	-	4,000
Change in net debt	592	3,565
Opening net debt	783	(2,782)
Closing net debt	1,375	783

17 Operating leases

The company has the following annual commitments under non-cancellable operating leases, which expire as follows:

	Plant and equipment £'000
Between two and five years	6

18 Pension costs

The company contributes to the defined contribution pension schemes of certain employees. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge for the year amounted to £102,000 (1999: £129,000). There was a pension creditor at the year end amounting to £28,000 (1999: £24,000).

19 Ultimate parent undertaking

The company's ultimate parent undertaking and controlling party is Leopold Kostal GmbH and Co KG, incorporated in Germany. Copies of the accounts can be obtained from Wiesenstrasse 47, 55805 Lüdenscheid, Germany.

The company is exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the Leopold Kostal GmbH and Co KG group.