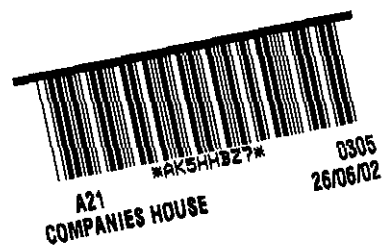


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Kostal UK Limited
Annual Report
for the year ended 31 December 2001

Registered Number 2481321



Kostal UK Limited

Annual Report

for the year ended 31 December 2001

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Kostal UK Limited

Directors' report for the year ended 31 December 2001

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

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 2001 and the outlook for 2002 are considered to be satisfactory.

Results and dividends

The company's profit for the year was £132,000 (2000: £60,000). It is proposed that no dividend be paid. Accordingly, the profit of £132,000 (2000: £60,000) 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	(UK)
J Nonnenkamp	(German)
Dr L Laufenberg	(German)

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 £1,171 (2000: £2,123).

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 2001 (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

20th MAY 2002

Registered Office:

Unit 16
Goldthorpe Industrial Estate
Rotherham
South Yorkshire
S63 9BL

Kostal UK Limited

Independent auditors' report to the members of Kostal UK Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 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. The other information comprises the directors' report.

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 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 2001 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

20 May 2002

Kostal UK Limited

Profit and loss account for the year ended 31 December 2001

	Note	2001 £'000	2000 £'000
Turnover		27,569	30,864
Cost of sales		(24,943)	(28,412)
Gross profit		2,626	2,452
Selling and distribution costs		(883)	(1,100)
Administrative expenses		(1,172)	(899)
Other operating income		100	184
Operating profit	1	671	637
Net interest payable	2	(311)	(552)
Profit on ordinary activities before taxation		360	85
Tax on profit on ordinary activities	4	(228)	(25)
Retained profit for the financial year transferred to reserves	11	132	60

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 2001

	Note	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	5	6,197	6,892
		6,197	6,892
Current assets			
Stocks	6	3,869	2,661
Debtors	7	3,783	4,032
Cash at bank and in hand		836	1,375
		8,488	8,068
Creditors (amounts falling due within one year)	8	(7,245)	(7,100)
Net current assets		1,243	968
Total assets less current liabilities		7,440	7,860
Creditors (amounts falling due after more than one year)	9	(2,448)	(3,000)
Net assets		4,992	4,860
Capital and reserves - equity interests			
Called up share capital	10	2,180	2,180
Profit and loss account	11	2,812	2,680
Total shareholders' funds	12	4,992	4,860

The financial statements on pages 4 to 16 were approved by the board of directors on 20 May 2002 and were signed on its behalf by:


C Sanders
Director

Kostal UK Limited

Statement of cash flows for the year ended 31 December 2001

	Note	2001 £'000	2000 £'000
Net cash inflow from operating activities	13	2,345	3,555
Returns on investment and servicing of finance			
Interest received		18	89
Interest paid to group undertaking		(329)	(641)
Net cash outflow from returns on investment and servicing of finance		(311)	(552)
Corporation tax paid		(83)	-
Capital expenditure			
Payments to purchase tangible fixed assets		(461)	(482)
Receipts from sale of tangible fixed assets		7	71
Net cash outflow from capital expenditure		(454)	(411)
Net cash inflow before financing		1,497	2,592
Financing			
Receipt of loan from group undertaking		2,448	-
Repayment of loan to group undertaking		(4,484)	(2,000)
Net cash outflow from financing		(2,036)	(2,000)
Net (decrease)/increase in cash		(539)	592
Cash at 1 January	14	1,375	783
Cash at 31 December	14	836	1,375

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.

Kostal UK Limited

Accounting policies (continued)

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.

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 2001

1 Operating profit

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

	2001 £'000	2000 £'000
Foreign exchange loss/(gain)	2	(124)
Amortisation of intangible assets	-	4
Depreciation	1,149	1,285
Auditor's remuneration:		
Audit fee including expenses	17	19
Other fees	22	12
Operating leases – equipment	45	36
Loss on sale of fixed assets	-	18
Grant income release	(100)	(150)

2 Net interest payable

	2001 £'000	2000 £'000
Interest payable to group undertaking	329	641
Bank interest receivable	(18)	(89)
	311	552

Kostal UK Limited

Notes to the financial statement for the year ended 31 December 2001 (continued)

3 Employees and directors

	2001 £'000	2000 £'000
Staff costs:		
Wages and salaries	6,620	6,883
Social security costs	604	590
Pension costs	121	102
	7,345	7,575

	2001 Number	2000 Number
Average number of employees	416	435

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

	2001 £'000	2000 £'000
Aggregate emoluments	115	118

None of the directors have retirement benefits accruing under a defined benefit scheme.

Kostal UK Limited

Notes to the financial statement for the year ended 31 December 2001 (continued)

4 Tax on profit on ordinary activities

	2001 £'000	2000 £'000
Corporation tax on the profit for the year, at 30% (2000: 30%)		
Current year	228	90
Prior year	-	(65)
	228	25

The current year corporation tax charge has increased by £138,000 from 2000 to 2001 mainly as a result of increased profits in 2001 together with surplus trading losses brought forward being available to reduce the tax charge in 2000 but not in 2001.

No deferred tax liability is expected to crystallise in the foreseeable future and accordingly no provision has been made (2000: £Nil).

The full potential deferred taxation position is as follows:

	2001 £'000	2000 £'000
Capital allowances	489	585
Short-term timing differences	(27)	(26)
	462	559

Kostal UK Limited

Notes to the financial statement for the year ended 31 December 2001 (continued)

5 Tangible assets

	Freehold land and buildings £'000	Plant and equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 January 2001	6,427	7,234	158	13,819
Additions	-	430	31	461
Disposals	-	(121)	(28)	(149)
At 31 December 2001	6,427	7,543	161	14,131
Depreciation				
At 1 January 2001	1,503	5,338	86	6,927
Charge for the year	241	901	7	1,149
Disposals	-	(114)	(28)	(142)
At 31 December 2001	1,744	6,125	65	7,934
Net book amounts				
At 31 December 2001	4,683	1,418	96	6,197
At 31 December 2000	4,924	1,896	72	6,892

6 Stocks

	2001 £'000	2000 £'000
Raw materials	1,056	1,254
Work in progress	677	686
Contract work in progress	1,947	478
Finished goods	189	243
	3,869	2,661

Kostal UK Limited

Notes to the financial statement for the year ended 31 December 2001 (continued)

7 Debtors

	2001 £'000	2000 £'000
Trade debtors	2,998	3,187
Amounts due from group undertakings	657	651
Amounts recoverable on contracts	73	117
Other debtors	55	77
	3,783	4,032

8 Creditors (amounts falling due within one year)

	2001 £'000	2000 £'000
Trade creditors	1,758	1,776
Loan from group undertaking	516	2,000
Amounts owed to group undertakings	2,367	1,242
Corporation tax	337	192
Other taxation and social security	395	438
Other creditors and accruals	1,772	1,252
Deferred grant income	100	200
	7,245	7,100

Kostal UK Limited

Notes to the financial statement for the year ended 31 December 2001 (continued)

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

	2001 £'000	2000 £'000
Loan from group undertaking	2,448	3,000

The loans from fellow group undertakings are unsecured and repayable as follows:

	2001 £'000	2000 £'000
Within one year	516	2,000
Between one and two years	-	1,000
Between two and five years	2,448	2,000
	2,964	5,000

10 Called up share capital

	2001 £'000	2000 £'000
Ordinary shares of £1 each		
2,180,000 Authorised, allotted, issued and fully paid	2,180	2,180

11 Profit and loss account

	£'000
At 1 January 2001	2,680
Profit for the financial year	132
At 31 December 2001	2,812

Kostal UK Limited

Notes to the financial statement for the year ended 31 December 2001 (continued)

12 Reconciliation of movements in shareholders' funds

	£'000
Shareholders' funds at 1 January 2001	4,860
Profit for the year	132
Shareholders' funds at 31 December 2001	4,992

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

	2001 £'000	2000 £'000
Operating profit	671	637
Depreciation charge	1,149	1,285
Amortisation of intangible assets	-	4
Loss on disposal of fixed assets	-	18
(Increase)/decrease in stocks	(1,208)	1,190
Decrease in debtors	255	2,002
Increase/(decrease) in creditors	459	(501)
Movement in group balances	1,119	(930)
Grant income release	(100)	(150)
	2,345	3,555

14 Analysis of changes in net debt

	As at 1 January 2001 £'000	Cash flow £'000	As at 31 December 2001 £'000
Cash	1,375	(539)	836

Kostal UK Limited

Notes to the financial statement for the year ended 31 December 2001 (continued)

15 Reconciliation of net cash flow to movement in net debt

	2001 £'000	2000 £'000
(Decrease)/ increase in cash	(539)	592
Change in net debt	(539)	592
Opening net debt	1,375	783
Closing net debt	836	1,375

16 Operating leases

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

	Plant and Equipment £'000	Motor Vehicles £'000
Less than one year	14	-
Between two and five years	-	4
	14	4

17 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 £121,000 (2000: £102,000). There was a pension creditor at the year end amounting to £60,000 (2000: £28,000).

18 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.