

Kostal UK Limited
Annual Report
for the year ended 31 December 2002

Registered Number 2481321



Kostal UK Limited

Annual Report

for the year ended 31 December 2002

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Kostal UK Limited

Directors' report for the year ended 31 December 2002

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

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 2002 and the outlook for 2003 are considered to be satisfactory.

Results and dividends

The company's loss for the year was £899,000 (2001: restated profit £229,000). The directors do not recommend payment of a dividend. Accordingly, the loss has been deducted from the 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)	
S Hill	(UK)	(Appointed 1 July 2002)

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 £1,798 (2001: £1,171).

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of the company's affairs and of its profit or loss for that financial year. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 6 under 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

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 financial statements 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 2002 (continued)

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 7 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the annual general meeting.

By Order of the Board



S Hill

Director

5th September 2003

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 statement of total recognised gains and losses, the balance sheet and the related notes.

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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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.

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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Leeds

9 September 2003

Kostal UK Limited

Profit and loss account for the year ended 31 December 2002

	Note	2002 £'000	As restated 2001 £'000
Turnover	1	30,320	27,569
Cost of sales		(28,779)	(24,943)
Gross profit		1,541	2,626
Selling and distribution costs		(1,012)	(883)
Administrative expenses		(1,527)	(1,172)
Other operating income		50	100
Operating (loss)/profit	2	(948)	671
Net interest payable	3	(309)	(311)
(Loss)/profit on ordinary activities before taxation		(1,257)	360
Tax on ordinary activities	5	358	(131)
(Loss)/profit for the financial year	13	(899)	229

All of the amounts shown above relate to continuing operations.

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

Statement of total recognised gains and losses

	2002 £'000	As restated 2001 £'000
(Loss)/profit for the financial year	(899)	229
Total recognised (losses)/gains for the year	(899)	229
Prior year adjustment (note 13)	(462)	-
Total losses recognised since last annual report	(1,361)	-

Kostal UK Limited

Balance sheet as at 31 December 2002

	Note	2002 £'000	As restated 2001 £'000
Fixed assets			
Tangible assets	6	6,799	6,197
		6,799	6,197
Current assets			
Stocks	7	3,930	3,869
Debtors	8	3,851	3,783
Cash at bank and in hand		540	836
		8,321	8,488
Creditors (amounts falling due within one year)	9	(6,821)	(7,245)
Net current assets		1,500	1,243
Total assets less current liabilities		8,299	7,440
Creditors (amounts falling due after more than one year)	10	(4,564)	(2,448)
Provisions for liabilities and charges	11	(104)	(462)
Net assets		3,631	4,530
Capital and reserves			
Called up share capital	12	2,180	2,180
Profit and loss account	13	1,451	2,350
Total shareholders' funds	14	3,631	4,530

The financial statements on pages 4 to 15 were approved by the board of directors on 5th September 2003 and were signed on its behalf by:



S Hill
Director

Kostal UK Limited

Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

Changes in accounting policies

The company has adopted FRS 18 'Accounting Policies'. The directors have reviewed the appropriateness of the company's accounting policies and concluded that no changes need to be made.

The company has adopted FRS 19 "Deferred Tax" which requires full provision to be made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations, where future payment or receipt is more likely than not to occur. The comparative figures for the prior period have been restated to reflect this change in accounting policy.

The adoption of this new accounting policy has had the effect of reducing net assets at 31 December 2002 and 31 December 2001 by £451,000 and £462,000 respectively. The adoption of the new policy has also increased profit after taxation for the year ended 31 December 2001 by £97,000 and has reduced the loss after taxation for the year ended 31 December 2002 by £11,000.

Cash flow statement and related party disclosure

The company is a wholly owned subsidiary of Leopold Kostal GmbH & Co. KG and is included in the consolidated financial statements of Leopold Kostal GmbH & Co. KG. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Leopold Kostal GmbH & Co. KG group or investees of the Leopold Kostal GmbH & Co. KG group.

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

Research and development costs are charged against revenue in the accounting period in which they are incurred except for development expenditure on an individual project where the future recoverability can be foreseen with reasonable assurance. Any expenditure carried forward is amortised in line with the expected sales from the related project. The period of write off is currently 5 years.

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.

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Accounting policies (continued)

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.

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	- 5 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

The charge for taxation is based on the results for the year. In accordance with FRS 19, deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is recognised to the extent that its future recovery is assessed as being more likely than not. Deferred taxation liabilities have not been discounted.

Operating leases

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

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Notes to the financial statement for the year ended 31 December 2002

1 Turnover

Turnover arose entirely from the principal activity of the company in the United Kingdom.

2 Operating loss

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

	2002 £'000	2001 £'000
Foreign exchange loss	358	2
Depreciation of tangible fixed assets – owned	1,174	1,149
Auditor's remuneration:		
Audit services	15	17
Non audit services	28	22
Operating leases – equipment	50	45
Grant income release	(50)	(100)

3 Net interest payable

	2002 £'000	2001 £'000
Interest payable to group undertaking	330	329
Bank interest receivable	(21)	(18)
	309	311

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Notes to the financial statement for the year ended 31 December 2002 (continued)

4 Employees and directors

	2002 £'000	2001 £'000
Staff costs:		
Wages and salaries	7,257	6,620
Social security costs	646	604
Pension costs	108	121
	8,011	7,345

	2002 Number	2001 Number
Average number of employees	427	416

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

	2002 £'000	2001 £'000
Aggregate emoluments	105	115
Amounts paid in respect of money purchase benefits	2	-

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

One director had retirement benefits accruing under a defined contribution scheme.

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Notes to the financial statement for the year ended 31 December 2002 (continued)

5 Tax on loss on ordinary activities

	2002 £'000	As restated 2001 £'000
UK corporation tax at 30% (2001: 30%)	-	197
Adjustments in respect of previous periods	-	31
Total current tax	-	228
Deferred tax credit for the year	(377)	(97)
Adjustments in respect of previous periods	19	-
Total deferred tax	(358)	(97)
Tax on (loss)/profit for the year	(358)	131

The differences between total current tax assessed and the standard rate of corporation tax in the UK are explained below:-

(Loss)/profit on ordinary activities before tax	(1,257)	360
(Loss)/profit on ordinary activities multiplied by the standard rate of UK tax of 30% (2001: 30%)	(377)	108
Permanent differences	15	28
Accelerated capital allowances and other timing differences	28	92
Unutilised losses	334	-
Total current tax	-	228

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Notes to the financial statement for the year ended 31 December 2002 (continued)

6 Tangible assets

	Freehold land and buildings £'000	Plant and equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 January 2002	6,427	7,543	161	14,131
Additions	-	1,726	85	1,811
Disposals	-	(124)	(90)	(214)
At 31 December 2002	6,427	9,145	156	15,728
Depreciation				
At 1 January 2002	1,744	6,125	65	7,934
Charge for the year	240	906	28	1,174
Disposals	-	(139)	(40)	(179)
At 31 December 2002	1,984	6,892	53	8,929
Net book amounts				
At 31 December 2002	4,443	2,253	103	6,799
At 31 December 2001	4,683	1,418	96	6,197

7 Stocks

	2002 £'000	2001 £'000
Raw materials	1,257	1,056
Work in progress	717	677
Contract work in progress	1,757	1,947
Finished goods	199	189
	3,930	3,869

Kostal UK Limited

Notes to the financial statement for the year ended 31 December 2002 (continued)

8 Debtors

	2002 £'000	2001 £'000
Trade debtors	1,811	2,998
Amounts due from group undertakings	1,806	657
Amounts recoverable on contracts	106	73
Corporation tax	-	-
Other debtors	128	55
	3,851	3,783

9 Creditors (amounts falling due within one year)

	2002 £'000	2001 £'000
Trade creditors	2,510	1,758
Loan from group undertaking	-	516
Amounts owed to group undertakings	3,082	2,367
Corporation tax	139	337
Other taxation and social security	282	395
Other creditors and accruals	758	1,772
Deferred grant income	50	100
	6,821	7,245

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Notes to the financial statement for the year ended 31 December 2002 (continued)

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

	2002 £'000	2001 £'000
Loan from group undertaking	4,564	2,448

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

	2002 £'000	2001 £'000
Within one year	-	516
Between one and two years	978	-
Between two and five years	3,586	2,448
	4,564	2,964

11 Provisions for liabilities and charges

	Deferred taxation £'000
At 1 January 2002 - as originally stated	-
Prior year adjustment	462,000
At 1 January 2002 - as restated	462,000
Charge to the profit and loss account	(358,000)
At 31 December 2002	104,000

12 Called up share capital

	2002 £'000	2001 £'000
Authorised, allotted, issued and fully paid		
2,180,000 Ordinary shares of £1 each	2,180	2,180

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Notes to the financial statement for the year ended 31 December 2002 (continued)

13 Profit and loss account

	£'000
At 1 January 2002 – as previously stated	2,812
Prior period adjustment – FRS 19 (see statement of accounting policies)	(462)
At 1 January 2002 – as restated	2,350
Loss for the financial year	(899)
At 31 December 2002	1,451

14 Reconciliation of shareholders' funds

	2002 £'000	As restated 2001 £'000
Opening shareholders' funds – as previously reported	4,992	4,860
Prior period adjustment	(462)	(559)
Opening shareholders funds as restated	4,530	4,301
(Loss)/profit for the period as restated	(899)	229
Closing Shareholders' funds	3,631	4,530

15 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	16	4
Between two and five years	-	-
	16	4

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Notes to the financial statement for the year ended 31 December 2002 (continued)

16 Capital commitments

Capital commitments at 31 December 2002, for which no provision has been made in these accounts, were as follows:

	2002 £'000	2001 £'000
Contracted but not yet provided	12	-

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 £108,000 (2001:£121,000). There was a pension creditor at the year end amounting to £18,000 (2001: £60,000).

18 Ultimate parent undertaking

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