Kostal UK Limited

Annual Report

for the year ended 31 December 2003

Registered Number 2481321



Kostal UK Limited

Annual Report

for the year ended 31 December 2003

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Kostal UK Limited

Directors' report for the year ended 31 December 2003

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

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 2003 and the outlook for 2004 are considered to be satisfactory.

Of the loss for 2003, £2,214,000 or 65% occurred due to the trading loss of the Mazda Steering Column Module. No further liability or costs are expected to arise from this business.

Results and dividends
The company's loss for the year was £2,372,000 (2002: £899,000). 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)

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 £1,002 (2002: £1,798).

Employees
Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability. Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through internal newsletters and electronic communications.

Kostal UK Limited

Directors' report for the year ended 31 December 2003 (continued)

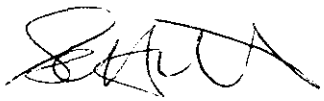
Statement of directors' responsibilities
Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of the company's affairs and of its profit or loss for that financial year. The directors are required to prepare the financial 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. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 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.

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
2004

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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
2004

Kostal UK Limited

Profit and loss account for the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover	1	**29,476**	30,320
Cost of sales		**(29,527)**	(28,779)
Gross (loss)/profit		**(51)**	1,541
Selling and distribution costs		**(1,024)**	(1,012)
Administrative expenses		**(1,800)**	(1,527)
Other operating income		**50**	50
Operating loss	2	**(2,825)**	(948)
Net interest payable	3	**(561)**	(309)
Loss on ordinary activities before taxation		**(3,386)**	(1,257)
Tax on ordinary activities	5	**1,014**	358
Loss for the financial year	13	**(2,372)**	(899)

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 loss for the financial year stated above and their historical cost equivalents.

Statement of total recognised gains and losses

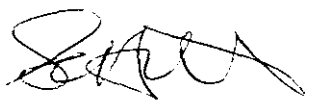
		2003 £'000	2002 £'000
Loss for the financial year	13	**(2,372)**	(899)
Total recognised losses for the year		**(2,372)**	(899)
Prior year adjustment		**-**	(462)
Total losses recognised since last annual report		**(2,372)**	(1,361)

Kostal UK Limited

Balance sheet as at 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	6	**7,224**	6,799
		7,224	6,799
Current assets			
Stocks	7	**3,509**	3,930
Debtors	8	**4,216**	3,851
Deferred tax asset	11	**681**	-
Cash at bank and in hand		**1,160**	540
		9,566	8,321
Creditors (amounts falling due within one year)	9	**(6,711)**	(6,821)
Net current assets		**2,855**	1,500
Total assets less current liabilities		**10,079**	8,299
Creditors (amounts falling due after more than one year)	10	**(8,820)**	(4,564)
Provisions for liabilities and charges	11	**-**	(104)
Net assets		**1,259**	3,631
Capital and reserves			
Called up share capital	12	**2,180**	2,180
Profit and loss account	13	**(921)**	1,451
Total shareholders' funds	14	**1,259**	3,631

The financial statements on pages 4 to 15 were approved by the board of directors on and were signed on its behalf by: 2004



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.

Cash flow statement and related party disclosures
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. Other than in respect of long term contracts, revenue is recognised on despatch.

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.

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

Accounting policies (continued)

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.

Kostal UK Limited

Notes to the financial statement for the year ended 31 December 2003

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):

	2003 £'000	2002 £'000
Foreign exchange loss	**588**	358
Depreciation of tangible fixed assets – owned	**1,002**	1,174
Auditor's remuneration:		
Audit services	**15**	15
Non audit services	**15**	28
Operating leases – equipment	**50**	50
Grant income release	**(50)**	(50)

3 Net interest payable

	2003 £'000	2002 £'000
Interest payable to group undertaking	**553**	330
Bank interest receivable	**(21)**	(21)
Interest payable to third parties	**29**	-
	561	309

Notes to the financial statement for the year ended 31 December 2003 (continued)

4 Employees and directors

	2003 £'000	2002 £'000
Staff costs:		
Wages and salaries	**7,484**	7,257
Social security costs	**694**	646
Pension costs	**108**	108
	8,286	8,011

	2003 Number	2002 Number
Average number of employees	**435**	427

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

	2003 £'000	2002 £'000
Aggregate emoluments	**104**	105
Amounts paid in respect of money purchase benefits	**5**	2

None (2002: None) of the directors have retirement benefits accruing under a defined benefit scheme.

One (2002: One) director had retirement benefits accruing under a defined contribution scheme.

Notes to the financial statement for the year ended 31 December 2003 (continued)

5 Tax on loss on ordinary activities

	2003 £'000	2002 £'000
UK corporation tax at 30% (2002: 30%)	-	-
Adjustments in respect of previous periods	(229)	-
Total current tax	(229)	-
Deferred tax credit for the year	(1,001)	(377)
Adjustments in respect of previous periods	216	19
Total deferred tax	(785)	(358)
Tax on loss for the year	(1,014)	(358)

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

Loss on ordinary activities before tax	(3,386)	(1,257)
Losst on ordinary activities multiplied by the standard rate of UK tax of 30%		
30% (2002: 30%)	(1,016)	(377)
Permanent differences	15	15
Accelerated capital allowances and other timing differences	(39)	28
Unutilised losses	1,040	334
Adjustments to tax charge in respect of previous period	(229)	-
Total current tax	(229)	-

Notes to the financial statement for the year ended 31 December 2003 (continued)

6 Tangible assets

	Freehold land and buildings £'000	Plant and equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 January 2003	6,427	9,145	156	15,728
Additions	-	2,812	23	2,835
Disposals	-	(1,642)	(29)	(1,671)
At 31 December 2003	6,427	10,315	150	16,892
Depreciation				
At 1 January 2003	1,984	6,892	53	8,929
Charge for the year	241	734	27	1,002
Disposals	-	(242)	(21)	(263)
At 31 December 2003	2,225	7,384	59	9,668
Net book amounts				
At 31 December 2003	**4,202**	**2,931**	**91**	**7,224**
At 31 December 2002	4,443	2,253	103	6,799

7 Stocks

	2003 £'000	2002 £'000
Raw materials	**1,118**	1,257
Work in progress	**708**	717
Contract work in progress	**1,271**	1,757
Finished goods	**412**	199
	3,509	3,930

Notes to the financial statement for the year ended 31 December 2003 (continued)

8 Debtors

	2003 £'000	2002 £'000
Trade debtors	**3,486**	1,811
Amounts due from group undertakings	**562**	1,806
Amounts recoverable on contracts	**-**	106
Corporation tax	**20**	-
Other debtors	**148**	128
	4,216	3,851

9 Creditors (amounts falling due within one year)

	2003 £'000	2002 £'000
Trade creditors	**1,394**	2,510
Amounts owed to group undertakings	**3,671**	3,082
Loan from group undertaking	**1,000**	-
Corporation tax	**-**	139
Other taxation and social security	**470**	282
Other creditors and accruals	**176**	758
Deferred grant income	**-**	50
	6,711	6,821

Notes to the financial statement for the year ended 31 December 2003 (continued)

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

	2003 £'000	2002 £'000
Loan from group undertaking	**8,820**	4,564

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

	2003 £'000	2002 £'000
Within one year	**1,000**	-
Between one and two years	**1,000**	978
Between two and five years	**5,820**	3,586
More than five years	**2,000**	-
	9,820	4,564

11 Provisions for liabilities and charges

	Deferred taxation £'000
At 1 January 2003	104
Credit to the profit and loss account	(785)
At 31 December 2003	**(681)**

Deferred tax has been provided in full at 30%. Provision for deferred tax comprises:

	2003 £'000	2002 £'000
Accelerated capital allowances	**365**	477
Other short term timing differences	**(6)**	(26)
Losses	**(1,040)**	(347)
	(681)	104

Notes to the financial statement for the year ended 31 December 2003 (continued)

12 Called up share capital

	2003 £'000	2002 £'000
Authorised, allotted, issued and fully paid		
2,180,000 Ordinary shares of £1 each	**2,180**	2,180

13 Profit and loss account

	£'000
At 1 January 2003	1,451
Loss for the financial year	(2,372)
At 31 December 2003	**(921)**

14 Reconciliation of shareholders' funds

	2003 £'000	2002 £'000
Opening shareholders' funds – as previously reported	**3,631**	4,992
Prior period adjustment	-	(462)
Opening shareholders funds as restated	**3,631**	4,530
Loss for the period as restated	**(2,372)**	(899)
Closing Shareholders' funds	**1,259**	3,631

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	-	1
Between two and five years	**18**	-
	18	1

Notes to the financial statement for the year ended 31 December 2003 (continued)

16 Capital commitments

Capital commitments at 31 December 2003, for which no provision has been made in these accounts, were as follows:

	2003 **£'000**	2002 £'000
Contracted but not yet provided	**333**	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 (2002:£108,000). There was a pension creditor at the year end amounting to £15,000 (2002: £18,000).

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.