

Kostal UK Limited
Annual Report
for the year ended 31 December 2011

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Kostal UK Limited
Annual Report
for the year ended 31 December 2011
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Kostal UK Limited

Directors' report for the year ended 31 December 2011

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

Principal activity

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

Review of the business and future developments

The result for the year ended 31 December 2011 and the outlook for 2012 are considered to be satisfactory. During 2011, the company experienced a period of growth due to the global increase in demand in the Motor Industry and achieved a satisfactory profit. The company's profit on ordinary activities before tax for the year was £3,096,000 (2010: £127,000). The directors do not recommend payment of a dividend and the profit of the company has been transferred to reserves.

Principal risks and uncertainties

The most significant risks to the profitability of Kostal UK Limited are

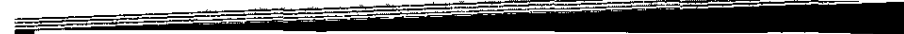
- Loss of significant customer contracts,
- Impact of fluctuation in exchange rates,
- Increased Material/Employee costs,
- Additional Government regulation

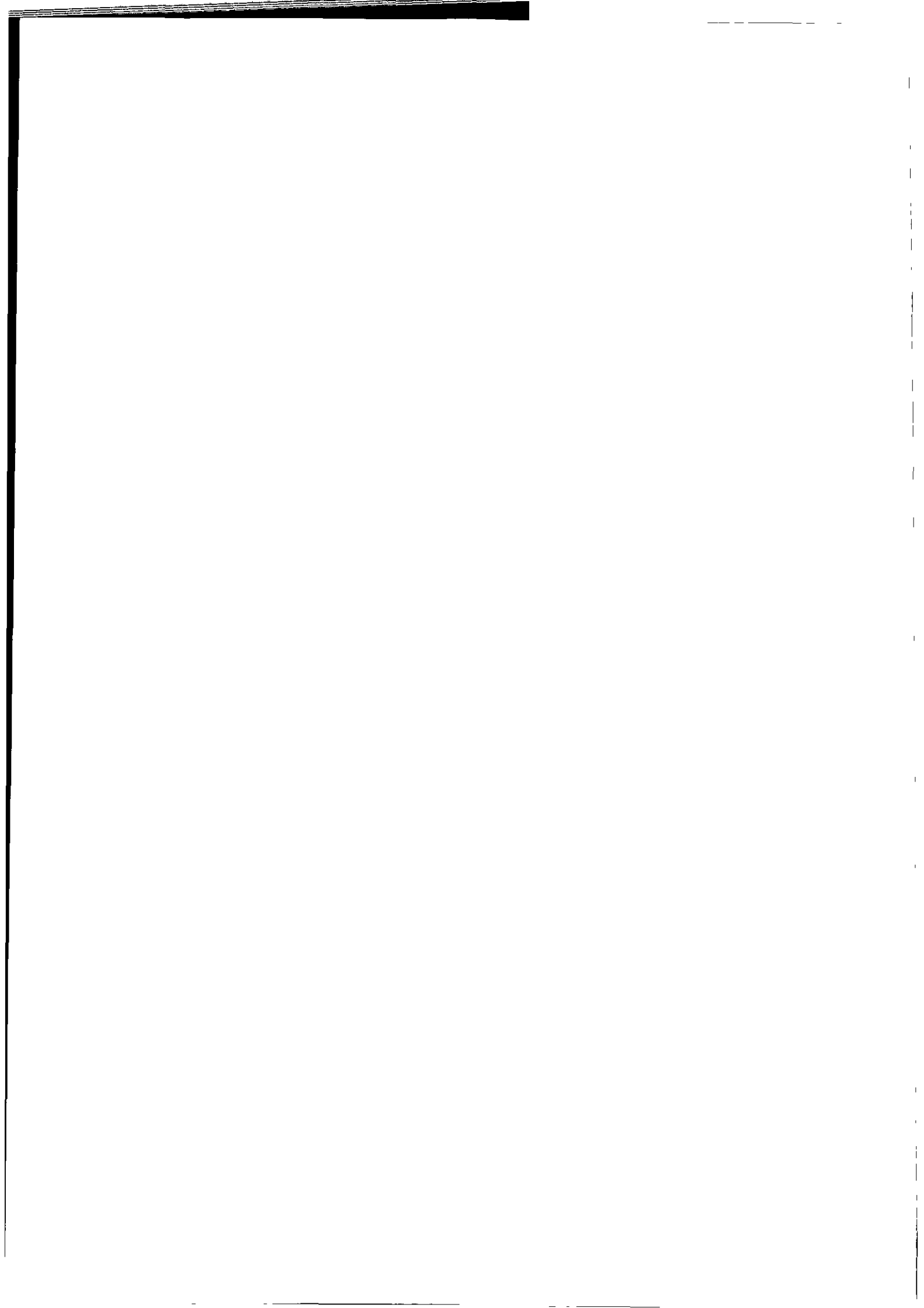
The directors have strategies to manage and mitigate these risks and remain confident of the continued success of the company.

Strategy

The Company's overriding objective is to achieve profitable growth through satisfied customers. The key elements to achieving this are

- Maintain liquidity and achieve or exceed 2012 profit targets,
- Enhance customer satisfaction and win new business,
- Flawless launch of all new products into production,
- Pursue performance and quality leadership in all areas,
- Reduce product costs and stay competitive,
- Deploy actions to meet growth and long term strategy
- Achieve our goals with due regard for the environment, and
- Empower all employees with confidence and trust





Kostal UK Limited

The company uses the following financial key performance indicators to assess its performance

Key Performance Indicators ("KPIs")	2011	2010
Growth in sales (%)	45.0	28.3
Gross margin (%)	10.9	7.2
Stock days	53	40
Days sales outstanding	39	56
Creditor days	86	77

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below

H Kostal	(German)
C Sanders	(UK)
Dr L Laufenberg	(German)
Dr W Schmidt-Ewig	(German)
M Wood	(UK)

Donations

The company made charitable donations during the year amounting to £157 (2010: £390)

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.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are

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satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as "information needed by the company's auditors in connection with preparing their report". Each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP as independent auditors of the company will be proposed at the annual general meeting.

On behalf of the board


M Wood

Director

30 March 2012

Registered Office:

Unit 16
Goldthorpe Industrial Estate
Goldthorpe, Rotherham
South Yorkshire
S63 9BL

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Independent auditors' report to the members of Kostal UK Limited

We have audited the financial statements of Kostal UK Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 2 and 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Andrew Ward (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield
30 March 2012

Kostal UK Limited

Profit and loss account for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Turnover	1	59,557	41,072
Cost of sales		(53,092)	(38,121)
Gross profit		6,465	2,951
Selling and distribution costs		(1,054)	(965)
Administrative expenses		(1,878)	(1,460)
Operating profit	2	3,533	526
Net interest payable	3	(437)	(399)
Profit on ordinary activities before tax		3,096	127
Tax on profit on ordinary activities	5	(643)	(35)
Profit for the financial year	14	2,453	92

All items dealt with in arriving at operating profit relate to continuing operations

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

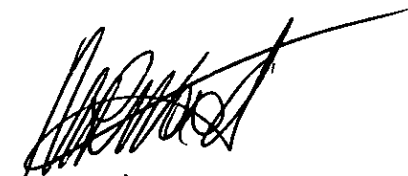
The company has no recognised gains and losses other than the profits above and therefore no statement of total recognised gains and losses has been presented

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Balance sheet as at 31 December 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Intangible Assets	7	4	7
Tangible fixed assets	6	7,304	6,211
		7,308	6,218
Current assets			
Stocks	8	13,905	6,867
Debtors	9	9,489	7,486
Cash at bank and in hand		161	1,272
		23,555	15,625
Creditors: amounts falling due within one year	11	(21,130)	(10,763)
Net current assets		2,425	4,862
Total assets less current liabilities		9,733	11,080
Creditors: amounts falling due after more than one year	12	(2,000)	(5,800)
Net assets		7,733	5,280
Capital and reserves			
Called up share capital	13	5,850	5,850
Profit and loss account	14	1,883	(570)
Total shareholders' funds	15	7,733	5,280

The financial statements on pages 6 to 18 were approved by the board of directors on *30 March 2012* and were signed on its behalf by



N Wood
Director

Kostal UK Limited (Registered number 2481321)

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Statement of accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below and have been applied consistently throughout the year.

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 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. Amounts invoiced to date, less amounts received on account, is included in work in progress. To the extent that amounts received from customers exceed related work in progress, such excess is included in creditors.

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.

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 FRS 17. For further details see note 19.

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

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.

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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, or a right to pay less taxation at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that the future recovery is assessed as being more likely than not. Deferred taxation assets and liabilities are not discounted.

Operating leases

Annual rentals in respect of operating leases are charged to operating profit over the lease term.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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Notes to the financial statements for the year ended 31 December 2011

1 Turnover

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

2 Operating profit

The operating profit is stated after charging/ (crediting)

	2011 £'000	2010 £'000
Total staff costs (note 4)	9,167	7,373
Foreign exchange (gain)/ losses	(74)	54
Depreciation of tangible fixed assets (note 6)	1,494	1,518
Amortisation of intangible assets (note 7)	3	3
Auditors' remuneration		
Audit services	26	24
Operating leases plant and machinery	28	27
Operating leases other	67	59

3 Net interest payable

	2011 £'000	2010 £'000
Interest payable to group undertaking	446	436
Bank interest receivable	(2)	(1)
Interest receivable from group undertakings	(7)	(36)
	437	399

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4 Employees and directors' emoluments

	2011 £'000	2010 £'000
Wages and salaries	8,343	6,558
Social security costs	709	690
Pension costs (note 19)	115	125
	9,167	7,373

	2011 Number	2010 Number
Average number of employees	405	313

Staff costs include the following in respect of directors' emoluments

	2011 £'000	2010 £'000
Aggregate emoluments	107	103
Amounts paid in respect of money purchase benefits	6	6

Retirement benefits are accruing to one (2010: one) director under a money purchase scheme

5 Tax on profit on ordinary activities

	2011 £'000	2010 £'000
Current tax:		
United Kingdom corporation tax on the profits of the year	533	-
Deferred tax:		
Origination and reversal of timing differences	123	54
Impact of change in tax rate	(13)	(19)
Total deferred tax (note 10)	110	35
Tax on profit on ordinary activities	643	35

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5 Tax on profit on ordinary activities (Continued)

The standard rate of Corporation Tax in the UK changed from 28% to 26% with effect from 1 April 2011. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 26.5% and will be taxed at 26% in the future.

The tax charge for the year is lower (2010: lower) than the standard rate of corporation tax in the UK (26.5%) and the differences are explained below.

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	3,096	127
Profit on ordinary activities multiplied by the standard rate of UK tax of 26.5% (2010: 28%)	820	35
Effects of:		
Expenses not deductible for tax purposes	3	6
Accelerated capital allowances and other timing differences	(18)	(41)
Utilisation of losses brought forward	(272)	-
Total current Tax Charge for the year	533	-

Factors affecting current and future tax charges

During the year, the relevant deferred tax balances have been re-measured as a result of the change in the UK main corporation tax rate to 26%, which was substantively enacted on 29 March 2011 and will be effective from 1 April 2011, and to 25%, which was substantively enacted on 5 July 2011 and will be effective from 1 April 2012.

Further reductions to the UK corporation tax rate were announced in the March 2011 Budget. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements.

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6 Tangible fixed assets

	Freehold land and buildings	Plant and equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2011	6,261	16,240	290	22,791
Additions	-	15	2,577	2,592
Transfers	-	2,454	(2,454)	-
Disposals	-	(1,212)	(1)	(1,213)
At 31 December 2011	6,261	17,497	412	24,170
Accumulated depreciation				
At 1 January 2011	3,793	12,787	-	16,580
Charge for the year	236	1,258	-	1,494
Disposals	-	(1,208)	-	(1,208)
At 31 December 2011	4,029	12,837	-	16,866
Net book amount				
At 31 December 2011	2,232	4,660	412	7,304
At 31 December 2010	2,468	3,453	290	6,211

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7 Intangible assets

	Licences
	£'000
Cost	
At 1 January 2011 and at 31 December 2011	355
Accumulated amortisation	
At 1 January 2011	348
Charge for the year	3
At 31 December 2011	351
Net book amount	
At 31 December 2011	4
At 31 December 2010	7

8 Stocks

	2011	2010
	£'000	£'000
Raw materials	6,117	3,315
Work in progress	186	186
Contract work in progress	6,452	2,695
Finished goods	1,150	671
	13,905	6,867

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9 Debtors

	2011 £'000	2010 £'000
Amounts falling due within one year:		
Trade debtors	7,319	6,360
Amounts due from group undertakings	1,545	553
Other debtors and prepayments	272	110
	9,136	7,023
Amounts falling due after more than one year		
Deferred tax (note 10)	353	463
	9,489	7,486

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at a rate of 7% per annum (2010: 7%).

10 Deferred taxation

	Deferred taxation	
	2011 £'000	2010 £'000
At 1 January	(463)	(498)
Charge to the profit and loss account (note 5)	110	35
At 31 December	(353)	(463)

The deferred tax asset has been recognised in full and the amount comprises

	2011 £'000	2010 £'000
Accelerated capital allowances	(190)	(354)
Other short term timing differences	(163)	(109)
At 31 December	(353)	(463)

The company has not recognised deferred tax assets amounting to £nil (2010: £277,104) in respect of trading losses, due to uncertainty regarding their future recoverability.

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11 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	2,778	1,952
Amounts owed to group undertakings	6,624	3,582
Loan from group undertaking (note 12)	3,800	1,000
Other taxation and social security	1,718	624
Other creditors and accruals	6,210	3,605
	21,130	10,763

Amounts owed to group undertakings include a balance of £1,034,000 (2010 £20,000) on which interest is charged at 7% (2010 7%) No interest is charged on the remaining amounts and all amounts are repayable on demand

12 Creditors: amounts falling due after more than one year

	2011 £'000	2010 £'000
Loan from group undertaking	2,000	5,800

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

	2011 £'000	2010 £'000
Within one year	3,800	1,000
Between one and two years	1,000	3,800
Between two and five years	1,000	2,000
	5,800	6,800

Interest on the loan from group undertakings is charged at a rate of 5% per annum (2010 5%)

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13 Called up share capital

	2011 £'000	2010 £'000
Authorised, allotted and fully paid		
5,850,000 (2010 5,850,000) ordinary shares of £1 each	5,850	5,850

14 Profit and loss account

	2011 £'000	2010 £'000
At 1 January	(570)	(662)
Profit for the financial year	2,453	92
At 31 December	1,883	(570)

15 Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Opening shareholders' funds	5,280	5,188
Profit for the financial year	2,453	92
Closing shareholders' funds	7,733	5,280

16 Financial commitments

At 31 December the company had annual commitments under non-cancellable operating leases, which expire as follows

	2011		2010	
	Plant and machinery £'000	Motor vehicles £'000	Plant and machinery £'000	Motor vehicles £'000
Less than one year	28	43	27	2
Between two and five years	-	43	-	99
	28	86	27	101

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17 Capital and other commitments

	2011 £'000	2010 £'000
Capital commitments	120	57

18 Contingent Liabilities

There were no contingent liabilities as of the balance sheet date (2010 £nil)

19 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 £115,463 (2010 £124,933). There was a pension creditor at the year end amounting to £18,608 (2010 £18,192).

20 Ultimate parent and controlling party

The company's ultimate parent undertaking and controlling party is Leopold Kostal GmbH & Co. KG, incorporated in Germany, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the financial statements can be obtained from Wiesenstrasse 47, 55805 Ludenscheid, Germany.