

Registered Number 2481321

Kostal UK Limited
Annual Report
for the year ended 31 December 2012

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Kostal UK Limited
Annual Report
for the year ended 31 December 2012
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Kostal UK Limited

Directors' report for the year ended 31 December 2012

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

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 2012 and the outlook for 2013 are considered to be satisfactory. The company's profit before tax for the year was £3,554,000 (2011: £3,096,000). The directors do not recommend payment of a dividend and the profit of the company has been transferred to reserves. The company continues to invest in product development and utilising new technologies.

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 2013 profit targets,
- Reduce product costs and stay competitive,
- Deploy actions to meet growth plan and long term strategy
- Enhance customer satisfaction and win new business,
- Pursue performance and quality leadership in all areas,
- Flawless launch of all new product into production,
- Empower all employees with confidence and trust, and
- Achieve our goals with due regard for the environment

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

Key Performance Indicators ("KPIs")	2012	2011
Growth in sales (%)	22.8	30.3
Gross margin (%)	13.7	12.1
Stock days	45	53
Days sales outstanding	47	39
Creditor days	70	86

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Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to competition from other manufacturers and the economic outlook with regard to increasing interest rates and cost based inflation, and the continuing effect of these factors on the motor industry.

Financial risk management

The company's operations expose it to a variety of financial risks including the effects of credit risk, liquidity risk and interest rates on debt. The company has risk management procedures which identify and monitor market, fiscal, operational, regulatory, environmental and product led risks. These processes are also used to identify performance and business development opportunities.

Credit risk

The company's principal financial assets are bank balances and trade debtors, which represent the company's maximum exposure to credit risk in relation to financial assets. The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the company's management based on prior experience and their assessment of the current economic climate.

Liquidity risk

The company's security with regards to liquidity is achieved through management of working capital and borrowings from other group companies. The amount of these facilities is renegotiated from time to time as required.

Interest rate risk

Interest bearing assets comprise cash and bank deposits, all of which earn interest at a fixed rate. Interest bearing liabilities comprise intercompany loans with fixed repayment terms. The directors monitor the overall level of borrowing and interest costs to limit any adverse effect on the financial performance of the company.

Directors

The directors who held office during the year and up to the signing of the accounting 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 £1,701 (2011 £157).

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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 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.

Auditors

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

Kostal UK Limited

On behalf of the board



Martin Wood

Director

27 March 2013

Registered Office:

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

Kostal UK Limited

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 2012 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 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 2012 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.

Kostal UK Limited

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



Andy Ward (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield
27 March 2013

Kostal UK Limited

Profit and loss account for the year ended 31 December 2012

	Note	2012 £'000	Restated 2011 £'000
Turnover	1	65,688	53,512
Cost of sales		(56,719)	(47,047)
Gross profit		8,969	6,465
Distribution costs		(1,623)	(1,054)
Administrative expenses		(3,245)	(1,878)
Operating profit	2	4,101	3,533
Interest payable	3	(547)	(437)
Profit on ordinary activities before tax		3,554	3,096
Tax on profit on ordinary activities	5	(563)	(643)
Profit for the financial year	14	2,991	2,453

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

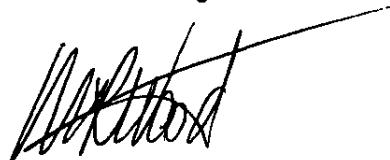
The company has no recognised gains and losses other than the profits above and therefore no statement of total recognised gains and losses has been presented

Kostal UK Limited

Balance sheet as at 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Intangible Assets	7	11	4
Tangible assets	6	8,975	7,304
		8,986	7,308
Current assets			
Stocks	8	14,229	13,905
Debtors	9	10,625	9,489
Cash at bank and in hand		2,881	161
		27,735	23,555
Creditors: amounts falling due within one year	11	(22,197)	(21,130)
Net current assets		5,538	2,425
Total assets less current liabilities		14,524	9,733
Creditors amounts falling due after more than one year	12	(3,800)	(2,000)
Net assets		10,724	7,733
Capital and reserves			
Called up share capital	13	5,850	5,850
Profit and loss reserve	14	4,874	1,883
Total shareholders' funds	15	10,724	7,733

The financial statements on pages 7 to 19 were approved by the board of directors on 27 March 2013 and were signed on its behalf by



Director **MARTIN WOOD**

Kostal UK Limited (Registered number: 2481321)

Kostal UK Limited

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. 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 completion of the project. Full provision is made for any losses on tooling and development projects as soon as they are anticipated. Invoiced turnover recognised to date, less amounts received on account, is included in work in progress 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 five 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 FRS 17. For further details see note 19.

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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.

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 on a straight-line basis 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.

Restatement of comparatives

In the prior year, an amount of £6,045,000 was included in revenue in respect of deferred project tooling costs. In the current year, the directors believe it is more appropriate for the amounts to be recognised in cost of sales and, accordingly, a prior year adjustment has been processed through the financial statements to ensure comparability with the current year. The restatement has resulted in a £6,045,000 decrease in turnover and a £6,045,000 decrease in cost of sales. The restatement has a £nil impact on gross profit for the previous financial year.

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Notes to the financial statements for the year ended 31 December 2012

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

	2012	2011
	£'000	£'000
Total staff costs (note 4)	11,662	9,167
Foreign exchange gains	655	(74)
Depreciation of tangible fixed assets (note 6)	1,807	1,494
Amortisation of intangible assets (note 7)	4	3
Auditors' remuneration		
Audit services	27	26
Operating leases plant and machinery	29	28
Operating leases other	73	67

3 Interest payable

	2012	2011
	£'000	£'000
Interest payable to group undertaking	548	446
Bank interest receivable	(1)	(2)
Interest receivable from group undertakings	-	(7)
	547	437

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4 Employees and directors' emoluments

	2012 £'000	2011 £'000
Wages and salaries	10,498	8,343
Social security costs	930	709
Pension costs (note 19)	234	115
	11,662	9,167

	2012 Number	2011 Number
Average number of employees	492	405

Staff costs include the following in respect of directors' emoluments

	2012 £'000	2011 £'000
Aggregate emoluments	149	107
Amounts paid in respect of money purchase benefits	7	6

Retirement benefits are accruing to one (2011: one) director under a money purchase scheme

5 Tax on profit on ordinary activities

	2012 £'000	2011 £'000
Current tax		
United Kingdom corporation tax on the profits of the year	997	533
Adjustment relating to previous years	(384)	-
Deferred tax		
Origination and reversal of timing differences	(77)	123
Impact of change in tax rate	27	(13)
Total deferred tax (note 10)	(50)	110
Tax on profit on ordinary activities	563	643

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The tax charge for the period is lower (2011 lower) than the standard rate of corporation tax in the UK (24.5%), and the differences are explained below

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	3,554	3,096
Profit on ordinary activities multiplied by the standard rate of UK tax of 24.5% (2011 26.5%)	871	820
Adjustments relating to earlier years	(384)	-
Expenses not deductible for tax purposes	1	3
Decelerated/(Accelerated) capital allowances and other timing	125	(18)
Utilisation of losses brought forward	-	(272)
Total current Tax Charge for the year	613	533

A number of changes to the UK corporation tax system were announced in the 2012 Budget Statement. The Finance Act 2012 includes legislation to reduce the main rate of corporation tax from 26% to 24% from 1 April 2012, and to 23% from 1 April 2013. The deferred tax asset at 31 December 2012 has been re-measured accordingly.

Further reductions to the main rate were proposed in the Autumn 2012 statement to reduce the rate to 22% from 1 April 2013, and to 21% from 1 April 2014.

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6 Tangible assets

	Freehold land and buildings	Plant and equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2012	6,261	17,497	412	24,170
Additions	-	10	3,483	3,493
Transfers	-	787	(798)	(11)
Disposals	-	(704)	(3)	(707)
At 31 December 2012	6,261	17,590	3,094	26,945
Accumulated depreciation				
At 1 January 2012	4,029	12,837	-	16,866
Charge for the year	236	1,571	-	1,807
Disposals	-	(703)	-	(703)
At 31 December 2012	4,265	13,705	-	17,970
Net book amount				
At 31 December 2012	1,996	3,885	3,094	8,975
At 31 December 2011	2,232	4,660	412	7,304

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7 Intangible assets

	Licences £'000
Cost	
At 1 January 2012 and at 31 December 2012	355
Transfer from assets under construction	11
At 31 December 2012	366
Accumulated amortisation	
At 1 January 2012	351
Charge for the year	4
At 31 December 2012	355
Net book amount	
At 31 December 2012	11
At 31 December 2011	4

8 Stocks

	2012 £'000	2011 £'000
Raw materials	5,932	6,117
Work in progress	230	186
Contract work in progress	6,849	6,452
Finished goods	1,218	1,150
	14,229	13,905

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9 Debtors

	2012 £'000	2011 £'000
Amounts falling due within one year		
Trade debtors	9,141	7,319
Amounts due from group undertakings	576	1,545
Other debtors and prepayments	505	272
	10,222	9,136
Amounts falling due after more than one year		
Deferred tax (note 10)	403	353
	10,625	9,489

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 (2011 7%)

10 Deferred taxation

	Deferred taxation	
	2012 £'000	2011 £'000
At 1 January	(353)	(463)
Charge to the profit and loss account (note 5)	(50)	110
At 31 December	(403)	(353)

The deferred tax asset has been recognised in full at 24%. The amount comprises

	2012 £'000	2011 £'000
Accelerated capital allowances	(250)	(190)
Other short term timing differences	(153)	(163)
	(403)	(353)

The company has no unrecognised deferred tax assets (2011 £nil)

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11 Creditors: amounts falling due within one year

	2012	2011
	£'000	£'000
Trade creditors	3,072	2,778
Amounts owed to group undertakings	9,845	6,624
Loan from group undertaking (note 12)	1,000	3,800
Taxation and social security	2,073	1,718
Other creditors and accruals	6,207	6,210
	22,197	21,130

Amounts owed to group undertakings include a balance of £4,650,000 (2011 £1,034,000) on which interest is charged at 7% (2011 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

	2012	2011
	£'000	£'000
Loan from group undertaking	3,800	2,000

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

	2012	2011
	£'000	£'000
Within one year	1,000	3,800
Between one and two years	1,000	1,000
Between two and five years	2,800	1,000
	4,800	5,800

Interest on the loan from group undertakings is charged at a rate of 5% per annum (2011 5%)

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13 Called up share capital

	2012	2011
	£'000	£'000
Authorised, allotted, issued and fully paid		
5,850,000 (2011 5,850,000) ordinary shares of £1 each	5,850	5,850

14 Profit and loss reserve

	2012	2011
	£'000	£'000
At 1 January	1,883	(570)
Profit for the financial year	2,991	2,453
At 31 December	4,874	1,883

15 Reconciliation of movements in shareholders' funds

	2012	2011
	£'000	£'000
Opening shareholders' funds	7,733	5,280
Profit for the financial year	2,991	2,453
Closing shareholders' funds	10,724	7,733

16 Financial commitments

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

	2012		2011	
	Plant and equipment	Motor vehicles	Plant and equipment	Motor vehicles
	£'000	£'000	£'000	£'000
Less than one year	29	66	28	43
Between two and five years	-	93	-	43
	29	159	28	86

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17 Capital and other commitments

	2012	2011
	£'000	£'000
Capital commitments	495	120

18 Contingent Liabilities

There were no contingent liabilities as of the balance sheet date (2011 £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 £234,486 (2011 £115,463). There was a pension creditor at the year end amounting to £30,071 (2011 £18,608).

20 Ultimate parent undertaking

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