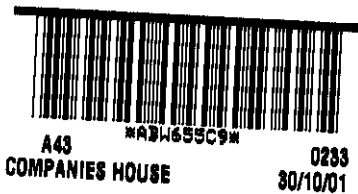


Registered no: 3047921

Finnveden Powertrain Components Limited
(formerly C S Martin (Alford) Limited)
Annual report
for the year ended 31 December 2000



Finnveden Powertrain Components Limited

Annual report for the year ended 31 December 2000

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Directors' report for the year ended 31 December 2000

The directors present their report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The company is engaged in general engineering principally for the motor industry.

Review of business

Following overhead cuts commensurate with operations within the Finnveden Group the coincident timing of three major new product launches led to an overload in logistical and technical resources. As a result profitability did not recover as forecast, but the order book was underpinned, with increased turnover from these projects replacing long established older products.

The forward view remains strong with major projects established across six main customers', direct supplies to USA established, and stability returning to important UK customer operations. In establishing technical competence with the new order book margins and turnover are forecast to increase with corresponding improved profit levels.

Dividend

The directors do not recommend the payment of a dividend (1999: £845,000).

Directors

The directors who held office during the period were as follows:

I Noyes
K H S Thunberg
B K R Franson

Director's interests

None of the directors had an interest in the shares of the company during the year:

The company is a wholly owned subsidiary of a company incorporated outside Great Britain and as permitted by statutory instruments, the register kept in accordance with Section 325 of the Companies Act 1985 does not disclose the interest of directors in shares of group companies.

Donations

During the year Finnveden Powertrain Components Limited made charitable donations of £395 (1999: £180).

**Directors' report
for the year ended 31 December 2000 (continued)****Employee involvement**

During the period, Finnveden Powertrain Components Limited has continued its policy of providing employees with information about performance and other matters of concern to them through means of regular briefing and consultation meetings.

Company policy and objectives for equal opportunity - Employees

The company's policy is to consult and discuss with employees, matters likely to affect employees' interests.

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2000.

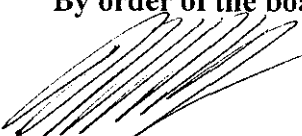
The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company, and to prevent and detect fraud and other irregularities.

Auditors

A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By order of the board


I Noyes

28 OCTOBER 2001

Report of the auditors to the members of Finnveden Powertrain Components Limited

We have audited the financial statements on pages 4 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards.

Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

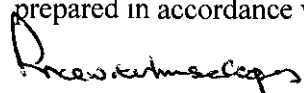
Basis of audit opinion

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 affairs of the company at 31 December 2000 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



29 OCTOBER 2001

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Nottingham

**Profit and loss account
for the year ended 31 December 2000**

	Notes	Year ended 31 December 2000 £'000	18 month period ended 31 December 1999 £'000
Turnover	2	19,846	30,761
Cost of sales		(18,290)	(27,661)
Gross profit		1,556	3,100
Distribution costs		(580)	(666)
Administrative expenses		(599)	(1,579)
Operating profit		377	855
Net interest payable and similar charges	6	(446)	(779)
(Loss)/profit on ordinary activities before taxation	3	(69)	76
Tax on profit on ordinary activities	7	(67)	(19)
(Loss)/profit on activities after taxation		(136)	57
Dividends on equity and non-equity shares	8	-	(845)
(Loss) for the year		(136)	(788)

All items dealt with in arriving at the (loss)/profit on ordinary activities before taxation relate to continuing activities.

The company has no recognised gains and losses other than those included in the (loss)/profits above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the (loss)/profit on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

Balance sheet at 31 December 2000

	Notes	31 December 2000 £'000	31 December 1999 £'000
Fixed assets			
Intangible fixed assets	9	1,086	1,161
Tangible fixed assets	10	7,128	6,717
		<u>8,214</u>	<u>7,878</u>
Current assets			
Stock	11	2,015	1,437
Debtors	12	3,562	2,940
		<u>5,577</u>	<u>4,377</u>
Creditors: amounts falling due within one year	13	<u>(4,964)</u>	<u>(4,058)</u>
Net current assets		<u>613</u>	<u>319</u>
Total assets less current liabilities		<u>8,827</u>	<u>8,197</u>
Creditors: amounts falling due after more than one year	14	<u>(3,665)</u>	<u>(2,940)</u>
Provisions for liabilities and charges	15	<u>(1,037)</u>	<u>(996)</u>
Net assets		<u><u>4,125</u></u>	<u><u>4,261</u></u>
Capital and reserves			
Called up share capital	16	619	619
Share premium account	18	3,281	3,281
Profit and loss account	18	225	361
Total equity shareholders' funds		<u><u>4,125</u></u>	<u><u>4,261</u></u>

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



I Noyes

28 OCTOBER 2001

**Notes to the financial statements
for the year ended 31 December 2000****1 Principal accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	20 years
Plant and machinery	4 to 10 years
Fixtures and fittings	3 to 10 years

Intangible fixed assets and amortisation

Intangible fixed assets represent know-how arising from the management buyout in 1992. The know-how is being amortised over 20 years, its expected useful economic life.

Pension costs

The company operates a funded defined benefit pension scheme. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

The company provides no other post retirement benefits to its employees.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the lease. Leasing and hire purchase agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the commitment is shown as obligations under finance leases and hire purchase agreements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the first-in first out method is used. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Government Grants

Capital based government grants are included within deferred income in the balance sheet and credited to the profit and loss account over the estimated economic life of the assets to which they relate.

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Cash flow

The company is a wholly owned subsidiary of a parent whose financial statements are publicly available. Consequently the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

2 Turnover

Turnover by destination was as follows:

	Year ended 31 December 2000 £'000	18 months ended 31 December 1999 £'000
UK	10,683	18,202
Other EC:	8,223	11,234
Other	42	-
	<u>19,846</u>	<u>30,761</u>

3 Profit on ordinary activities before taxation

	Year ended 31 December 2000 £'000	18 months ended 31 December 1999 £'000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
- Audit work	17	16
- Non-audit work	25	5
Amortisation of intangible fixed assets	75	114
Depreciation of tangible fixed assets		
- Own assets	788	778
- Assets held under finance leases	287	669
Hire of plant and machinery – rentals payable under operating leases	36	103
Loss on disposal of fixed assets	9	96
Exceptional costs of redundancy	-	165
	<u></u>	<u></u>

4 Directors' emoluments

	Year ended 31 December 2000 £'000	18 months ended 31 December 1999 £'000
Aggregate emoluments	65	214
Compensation for loss of office	-	89
	<u>65</u>	<u>303</u>

	Year ended 31 December 2000	18 months ended 31 December 1999
Number of directors who are:		
Members of CS Martin (Alford) Limited defined benefit pension scheme	<u>1</u>	<u>1</u>

5 Staff numbers and costs

The average monthly number of persons (including executive directors) employed by the company during the period was:

	Number of employees Year ended 31 December 2000	18 months ended 31 December 1999
By activity		
Management and administration	75	72
Production and distribution	237	244
	<u>312</u>	<u>316</u>

The aggregate payroll costs of these persons including directors were as follows:

	Year ended 31 December 2000 £'000	18 months ended 31 December 1999 £'000
Wages and salaries	6,488	9,965
Social security costs	599	1,030
Other pension costs	198	464
	<u>7,285</u>	<u>11,459</u>

6 Net interest payable and similar charges

	Year ended 31 December 2000 £'000	18 months ended 31 December 1999 £'000
Interest payable on bank loans and overdrafts	143	235
Interest payable to group undertaking	132	178
Finance charges payable in respect of finance leases and hire purchase contracts	174	383
	<u>449</u>	<u>796</u>
Bank interest receivable	(3)	(17)
	<u>446</u>	<u>779</u>

7 Taxation

	Year Ended 31 December 2000 £'000	18 months ended 31 December 1999 £'000
UK corporation tax at 30% (1999: 30.5%) on the loss for the year on ordinary activities	-	-
Adjustment relating to prior years - current	-	(24)
- deferred	-	(123)
Deferred taxation	6	73
Adjustment to deferred tax balances due to change in tax rates	-	93
Advance corporation tax	61	-
	<u>67</u>	<u>19</u>

8 Dividends

	Year Ended 31 December 2000 £'000	18 months ended 31 December 1999 £'000
Preference shares (1999: 9.5p per share)	-	308
£1 Ordinary shares (1999: 632p per share)	-	537
	<u>-</u>	<u>845</u>

9 - Intangible fixed assets

	Know-how £'000
Cost	
At 1 January 2000	1,500
Additions	-
Disposals	-
At 31 December 2000	1,500
Amortisation	
At 1 January 2000	339
Charge in the period	75
At 31 December 2000	414
Net book value	
At 31 December 2000	1,086
At 31 December 1999	1,161

10 Tangible fixed assets

	Freehold land and building £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2000	1,631	7,555	875	10,061
Additions	-	1,364	165	1,529
Disposals	-	(9)	(90)	(99)
At 31 December 2000	1,631	8,910	950	11,491
Depreciation				
At 1 January 2000	253	2,628	463	3,344
Charge in the period	82	832	161	1,075
Disposals	-	(7)	(49)	(56)
At 31 December 2000	335	3,453	575	4,363
Net book value				
At 31 December 2000	1,296	5,457	375	7,128
At 31 December 1999	1,378	4,927	412	6,717

The net book value of tangible fixed assets includes an amount of £3,904,390 (1999: £3,248,142) in respect of assets held under finance lease and hire purchase contracts.

11 · Stocks

	31 December 2000 £'000	31 December 1999 £'000
Raw materials and consumables	1,325	908
Work in progress	455	351
Finished goods and goods for resale	235	178
	<u>2,015</u>	<u>1,437</u>

12 Debtors

	31 December 2000 £'000	31 December 1999 £'000
Trade debtors	3,293	2,585
Other debtors	216	179
Prepayments and accrued income	53	115
ACT recoverable	-	61
	<u>3,562</u>	<u>2,940</u>

13 Creditors: amounts falling due within one year

	31 December 2000 £'000	31 December 1999 £'000
Bank loans and overdrafts	1,599	884
Obligations under finance leases and hire purchase contracts (see note 14)	682	590
Trade creditors	1,952	1,363
Amounts owed to group undertakings	24	502
Taxation and social security	297	330
Other creditors	151	177
Accruals and deferred income	259	212
	<u>4,964</u>	<u>4,058</u>

14 - Creditors: amounts falling due after more than one year

	31 December 2000 £'000	31 December 1999 £'000
Bank loans	575	1,075
Amounts owed to group undertakings	2,018	1,016
Obligations under finance leases and hire purchase contracts	1,072	849
	<u>3,665</u>	<u>2,940</u>
Analysis of bank loans		
Debt can be analysed as falling due:		
Between one and two years	500	500
Between two and five years	575	1,075
	<u>1,075</u>	<u>1,575</u>

The rates of interest on the bank loans vary between 2% and 3% over LIBOR. The loans are secured by a fixed and floating charge over all the property and assets of the company.

The loan from the parent company is charged interest at a fixed rate, which was 6.6% for the year.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	31 December 2000 £'000	31 December 1999 £'000
Within one year	682	590
In the second to fifth year	1,072	849
	<u>1,754</u>	<u>1,439</u>

15 Provisions for liabilities and charges and deferred income

	Government grants £'000	Pensions and similar obligations £'000	Deferred taxation £'000	Total £'000
At 31 December 1999	180	21	795	996
Received in the year	20	-	-	20
(Credit)/charge for the year	(34)	49	6	21
At 31 December 2000	<u>166</u>	<u>70</u>	<u>801</u>	<u>1,037</u>

The amounts provided for deferred taxation and the amounts not provided are set out below:

	31 December 2000		31 December 1999	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Difference between accumulated depreciation and amortisation and capital allowances	1,041	-	848	-
Losses	(192)	-	(33)	-
Capital gain on land and buildings	-	78	-	78
Other timing differences	(48)	-	(20)	-
	<u>801</u>	<u>78</u>	<u>795</u>	<u>78</u>

16 Called up share capital

	31 December 2000 £	31 December 1999 £
Authorised		
Ordinary shares of £1 each	632,300	632,300
	<u>632,300</u>	<u>632,300</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	619,150	619,150
	<u>619,150</u>	<u>619,150</u>

17 - Pensions

The most recent actuarial valuation of the company pension scheme was at 1 July 1998. The valuation of the scheme used the projected unit method and was carried out by PricewaterhouseCoopers, professionally qualified actuaries. The principal assumptions made by the actuaries were that investment returns would be 8% per annum, pensionable salaries would increase at 5.5% per annum and that pensions would increase at the rate provided in the scheme rules. The assumed rate of dividend growth was 4.5% per annum.

At the relevant date of the most recent actuarial assessment, the market value of the pension scheme totalled £1.462 million and the actuarial value of these assets represented 120% of the benefits accrued to members after allowing for future increases in earnings.

During the period ended 31 December 1999, the pension scheme changed to a protected rights contracting out basis.

As a result, the company's contribution rate was reduced for a period of 12 months commencing 1 July 1999. At that time, it was decided that this benefit should be spread over 10 years from 1 July 1999, being the remaining estimated lives of the existing members. The deferred credit in the balance sheet, which arises principally as a result of this, is £70,000 (1999: £21,000).

The cost of contributions to the pension scheme amounted to £198,000 (period ended December 1999: £464,000). An amount of £69,000 (1999: £67,000) is included in creditors, which represents the excess of the accumulated pension cost over the payment of contributions to the pension scheme.

18 Share premium and reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2000	3,281	361
Loss for the year	-	(136)
At 31 December 2000	<u>3,281</u>	<u>225</u>

19 - Commitments

Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	31 December 2000 £'000	31 December 1999 £'000
Contracted	32	412

Annual commitments under non-cancellable operating leases are as follows:

	31 December 2000 £'000	31 December 1999 £'000
Operating leases which expire:		
Within one year	4	-
In two to five years	61	48
	<u>65</u>	<u>48</u>

20 Reconciliation of movements in shareholders funds

	31 December 2000 £'000	31 December 1999 £'000
Loss for the financial year	(136)	(788)
Shares issued in the period	-	500
Opening shareholders funds	4,261	4,549
	<u>4,125</u>	<u>4,261</u>
Closing shareholders funds		

21 Ultimate parent company

The directors regard Finnveden Komponent AB, a company incorporated in Sweden, as the ultimate parent company and controlling party. Copies of the parents consolidated financial statements may be obtained from Lasarettsgatan 3, Box 103, S-331 21 Varnamo, Sweden.

Details of transactions with group companies are not presented in these financial statements in accordance with exemptions contained within FRS 8 'Related Party Transactions'.