

Finnveden Powertrain Components Limited
Annual report
for the year ended 31 December 2002



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Directors' report for the year ended 31 December 2002

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

Principal activities

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

Review of business

Customer demand dropped from 2001 levels, consequently the company was again restructured and streamlined during the later period of the year to be cost effective at this lower trading level and take further advantage of Group synergy.

The forward view looks stable in the short term, with new secured orders increasing sales output in 2004/2005. The company now has a more competitive cost structure to deal with variations in demand, secure new business and provide improved profit levels.

The parent company paid a capital contribution during the year to strengthen the company's financial position.

Dividend

The directors do not recommend the payment of a dividend (2002: £Nil).

Directors

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

J Lundsgard

J Linnell

J Hagelberg (appointed 24 April 2002)

K Thunberg (resigned 24 April 2002)

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.

Charitable donations

During the year the company made charitable donations of £ 115 (2002: £75).

Employee involvement

During the period, the company 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.

Policy and objectives for equal opportunity

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 with the exception of changes arising on the adoption of new accounting standards in the year as explained in the statement of accounting policies on page 6. They also confirm that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2002.

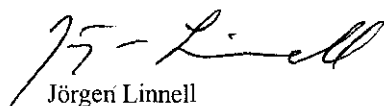
The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 13 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the board



Jörgen Linnell

2003-08-14

**Independent auditors' report to the members of Finnveden
Powertrain Components Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the related notes and the statement of accounting policies.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

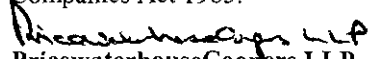
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Hull

Date: 14 August 2003

Profit and loss account for the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Turnover	1	16,126	16,732
Cost of sales		(15,430)	(16,569)
Gross profit		696	163
Distribution costs		(515)	(625)
Administration expenses		(1,437)	(2,105)
Operating loss		(1,256)	(2,567)
Interest payable and similar charges	5	(458)	(440)
Loss on ordinary activities before taxation	2	(1,714)	(3,007)
Tax on loss on ordinary activities	6	37	801
Loss on ordinary activities after taxation	15	(1,677)	(2,206)

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

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

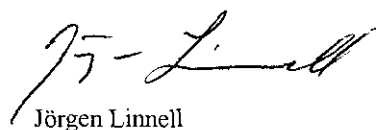
There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents.

Balance sheet as at 31 December 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	7	5,206	6,293
		5,206	6,293
Current assets			
Stock	8	1,420	1,777
Debtors	9	2,056	2,707
		3,476	4,484
Creditors - amounts falling due within one year	10	(3,746)	(4,187)
Net current (liabilities)/assets		(270)	297
Total assets less current liabilities		4,936	6,590
Creditors - amounts falling due after more than one year	11	(3,019)	(4,470)
Provisions for liabilities and charges	12	(175)	(201)
Net assets		1,742	1,919
Capital and reserves			
Called up share capital	13	619	619
Share premium account	15	3,281	3,281
Other reserves	15	1,500	-
Profit and loss account	15	(3,658)	(1,981)
Total shareholders' funds	17	1,742	1,919

The financial statements on pages 4 to 18 were approved by the board of directors on
were signed on its behalf by:

and



Jörgen Linnell

2007-08-14

Statement of accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

Basis of accounting

The company has adopted FRS 19 "Deferred Tax" in these financial statements. The adoption of this new standard represents a change in accounting policy but has not given rise to any change in comparative figures, therefore no restatement is required.

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

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

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax is not subject to discounting.

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.

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

1 Turnover

Turnover by destination for the year was as follows:

	2002	2001
	£'000	£'000
United Kingdom	6,731	8,422
Other EC	8,328	7,041
Other	1,067	1,269
	16,126	16,732

2 Operating loss

	2002	2001
	£'000	£'000
Operating loss is stated after charging/(crediting):		
Auditors' remuneration:		
- Audit work	21	35
- Non-audit work	57	34
Amortisation of intangible fixed assets	-	1,086
Depreciation of tangible fixed assets		
- Owned assets	774	758
- Assets held under finance leases	352	374
Hire of plant and machinery – rentals payable under operating leases	87	42
Loss/(profit) on disposal of fixed assets	51	(3)
Exceptional costs of redundancy	271	321
Grant income	(23)	(23)

3 Directors' emoluments

	2002 £'000	2001 £'000
Aggregate emoluments	59	65
Compensation for loss of office	-	30
	59	95

Number of directors who are:

Members of defined benefit pension scheme	-	1
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4 Staff numbers and costs

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

By activity	2002 Number	2001 Number
Management and administration	52	68
Production and distribution	211	196
	263	264

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

	2002 £'000	2001 £'000
Wages and salaries	5,197	5,802
Social security costs	456	471
Other pensions costs	244	241
	5,897	6,514

5 Interest payable and similar charges

	2002	2001
	£'000	£'000
Interest payable on bank loans and overdrafts	84	108
Interest payable to group undertaking	208	171
Finance charges payable in respect of finance leases and hire purchase contracts	166	161
	458	440

6 Taxation

	2002	2001
	£'000	£'000
Current tax:		
Group relief – current year	(19)	-
Group relief – prior year	(18)	-
Deferred taxation:		
Timing differences	-	(801)
Tax on profit on ordinary activities	(37)	(801)
Factors affecting the tax charge for the year:		
Loss on ordinary activities before tax	(1,714)	(3,007)
Loss on ordinary activities before tax at 30%	(514)	(902)
Expenses not deductible for tax purposes	44	35
Capital allowances in excess of depreciation	323	639
Movement on short term timing differences	3	(28)
Current year losses not utilised	125	256
Adjustments related to prior years	(18)	-
Current year corporation tax charge	(37)	-

7 Tangible fixed assets

	Freehold land and building	Plant and machinery	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2002	1,631	9,089	1,047	11,767
Additions	-	-	106	106
Disposals	-	(181)	(64)	(245)
At 31 December 2002	1,631	8,908	1,089	11,628
Depreciation				
At 1 January 2002	417	4,352	705	5,474
Charge for the year	81	903	142	1,126
Disposals	-	(130)	(48)	(178)
At 31 December 2002	498	5,125	799	6,422
Net book amount				
At 31 December 2002	1,133	3,783	290	5,206
At 31 December 2001	1,214	4,737	342	6,293

The net book value of tangible fixed assets includes an amount of £2,219,311 (2001: £2,725,618) in respect of assets held under finance lease and hire purchase contracts.

8 Stocks

	2002	2001
	£'000	£'000
Raw materials and consumables	840	1,025
Work in progress	248	445
Finished goods and goods for resale	332	307
	1,420	1,777

9 Debtors

	2002	2001
	£'000	£'000
Trade debtors	1,911	2,550
Amounts owed by group undertakings	29	1
Other debtors	3	11
Prepayments and accrued income	113	145
	2,056	2,707

10 Creditors – Amounts falling due within one year

	2002	2001
	£'000	£'000
Bank loans and overdrafts	985	1,019
Obligations under finance leases and hire purchase contracts (see note 11)	352	553
Trade creditors	1,571	1,403
Amounts owed to group undertakings	262	264
Taxation and social security	176	220
Other creditors	148	124
Accruals and deferred income	252	604
	3,746	4,187

11 Creditors – Amounts falling due after more than one year

	2002	2001
	£'000	£'000
Bank loans	-	75
Amounts owed to group undertakings	2,696	3,679
Obligations under finance leases and hire purchase contracts	323	716
	3,019	4,470

	2002	2001
Analysis of bank loans	£'000	£'000
Debt can be analysed as falling due:		
Within one year	225	500
Between one and two years	-	75
	225	575

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 being interest at a fixed rate, which was 5.15% for the year.

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

	2002	2001
	£'000	£'000
Within one year	352	553
In the second to fifth year	323	716
	675	1,269

12 Provisions for liabilities and charges

	Government grants	Pensions and similar obligations	Deferred taxation	Total
	£'000	£'000	£'000	£'000
At 31 December 2001	142	59	-	201
Credit for the year	(23)	(3)	-	(26)
At 31 December 2002	119	56	-	175

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

	31 December 2002		31 December 2001	
	Provided	Unprovided	Provided	Unprovided
	£'000	£'000	£'000	£'000
Capital gains on land and buildings	-	-	-	78

The company has a potential deferred tax asset of £387,000 (2001 £15,000) related principally to carried forward trading losses. This has not been recognised on the basis that it is uncertain that the benefit will crystallise in the foreseeable future.

13 Called up share capital

	2002	2001
	£'000	£'000
Authorised		
Ordinary shares of £1 each	632,300	632,300
Allotted and fully paid		
Ordinary shares of £1 each	619,150	619,150

14 Pension commitments

The most recent actuarial valuation of the company pension scheme was at 1 July 2002. 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 7.5% per annum, pensionable salaries would increase at 3.75% per annum and that pensions would increase at the rate provided in the scheme rules. The assumed rate of dividend growth was 4.0% per annum.

At the relevant date of the most recent actuarial assessment, the market value of the pension scheme totalled £3.354 million and the actuarial value of these assets represented 108% 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 £56,000 (2001: £59,000).

The cost of contributions to the pension scheme amounted to £244,000 (2001: £241,000). An amount of £ (2001: £59,000) is included in creditors, which represents the excess of the accumulated pension cost over the payment of contributions to the pension scheme.

An actuarial estimate performed by independent qualified actuaries, based on the last full valuation as at 1 July 2002 has been undertaken to provide the information required for FRS 17. The major assumptions used by the actuaries in producing this estimate were:

	31.12.02	31.12.01
Rate of increase in salaries	3.75%	3.90%
Rate of increase in pension payment	2.25%	2.40%
Discount rate	5.50%	6.00%
Inflation assumption	2.25%	2.40%
Revaluations to deferred pensions up to retirement	2.25%	2.40%

The assets in the Scheme relating to the Company and the expected rate of return were:

	Market related long term rate of return expected at		Finnveden Pension & Life Assurance Scheme value at	
	31.12.02	31.12.01	31.12.02 £'000	31.12.01 £'000
Equities	7.5%	7.5%	2,397	2,503
Bonds	5.0%	5.0%	536	545
Other	4.0%	4.0%	149	277
TOTAL			3,082	3,325

The following amounts at 31 December 2002 were measured in accordance with the requirements of FRS 17:

	Finnveden Pension and Life Assurance Scheme	
	31.12.02 £'000	31.12.01 £'000
Total market value of assets	3,082	3,325
Present value of Scheme liabilities	(4,473)	(3,494)
(Deficit) in Scheme	(1,391)	(169)
Related deferred tax asset	417	51
Net pension liability	(974)	(118)

If the above amounts had been recognised in the financial statements the Company's net assets and profit and loss reserve at 31 December 2002 would be as follows:

	31.12.02	31.12.01
	£'000	£'000
Net assets, excluding pension deficit	1,742	1,919
Pension liability	(974)	(118)
Net assets, including pension liability	768	1,801
Profit and loss reserve, excluding pension liability	(3,658)	(1,981)
Pension liability	(974)	(118)
Profit and loss reserve, including pension liability	(4,632)	(2,099)

Movement in deficit during the year	31.12.02
	£'000
Deficit in scheme at beginning of year	(169)
Movement in year:	
Operating charge	(377)
Contributions	298
Other finance income	17
Actuarial loss	(1,160)
Deficit in scheme at end of the year	(1,391)

History of experience gains and losses	31.2.02
Difference between the expected and actual return on Scheme assets:	
Amount (£'000)	(778)
Percentage of Scheme assets	(25.3%)
Experience gains and losses on Scheme liabilities:	
Amount (£'000)	(43)
Percentage of the present value of the Scheme liabilities	(1.0%)
Total amount recognised in statement of total recognised gains and losses:	
Amount (£'000)	(1,160)
Percentage of the present value of the Scheme liabilities	(25.9%)

History of experience gains and losses	31.2.02
Analysis of amount charged to operating profit:	
Current service cost	377
Total operating charge	377
Analysis of amount charged to other finance income	
Expected return on pension Scheme assets	242
Interest on pension Scheme liabilities	(225)
Net return	17
Analysis of statement of total recognised gains and losses (STRGL)	
Actual return less expected return on pension Scheme assets	(778)
Experience gains and losses arising on the Scheme liabilities	(43)
Changes in assumptions underlying the present value of the Scheme liabilities	(339)
Actuarial loss recognised in STRGL	(1,160)

15 Share premium and reserves

	Other reserves £'000	Share premium account £'000	Profit and loss account £'000
At 1 January 2002	-	3,281	(1,981)
Capital contribution	1,500	-	-
Loss for the year	-	-	(1,677)
At December 2002	1,500	3,281	(3,658)

Other reserves consist of a capital contribution received from Finnveden Powertrain Components AB, the company's immediate parent undertaking.

16 Commitments

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

	2002	2001
	£'000	£'000
Contracted	15	10

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

	2002	2001
	£'000	£'000
Operating leases which expire:		
Within one year	11	-
In two to five years	82	42
	93	42

17 Reconciliation of movements in shareholders funds

	2002	2001
	£'000	£'000
Loss for the financial year	(1,677)	(2,206)
Capital contribution	1,500	-
Opening shareholders funds	1,919	4,125
Closing shareholders funds	1,742	1,919

18 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'.