

Stoneridge Electronics Limited

Report and Financial Statements

31 December 2002

Registered Number: SC139213

 **ERNST & YOUNG**



Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 December 2002.

Principal activities

The principal activities of the company comprise the manufacture and distribution of recording instruments for a range of applications.

The company continues to invest in research and development. The principal activities in research and development include new product development and enhancement on the 2400 series tacograph as well as engineering maintenance support on existing 8400 business and work on product cost reduction projects.

The company operates distribution centres in Spain and France. The results of these branches are consolidated into the accounts of the company.

Results and dividends

The audited financial statements for the year ended 31 December 2002 are set out on pages 5 to 17. The profit for the year, after taxation, was £604k (2001: restated loss £2,028k).

The directors recommend a final dividend of £Nil (2001: £Nil) to ordinary shareholders.

Events since the balance sheet date

The company sold its property in Dundee and certain plant and machinery on 3 February 2003, realising a loss on disposal of £18k.

Directors and their interests

The directors who served during the year were as follows:

A G Duffy - resigned 20 October 2002

G Pisani

C J Abbruzzo

D M Draime

K P Bagby

A Cohen

S Forseke

W Whitelaw

H Brown - appointed 26 June 2002

At 31 December 2002, no directors who held office had any interests in the shares of the company.

As a wholly owned subsidiary undertaking of Stoneridge Inc., a company incorporated outside Great Britain, the company has taken advantage of the exemption under SE 1985/802 of Section 324 (1) and (2) of the Companies Act 1985 to disclose director interests in shares or debentures of Stoneridge Inc.

Directors' report

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Auditors

Ernst & Young LLP were appointed as auditors during the year. A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

Heather Brown 24/10/03

Secretary

Independent auditors' report

to the members of Stoneridge Electronics Limited

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor
Edinburgh

24 October 2003

Profit and loss account

for the year ended 31 December 2002

	Notes	2002 £000	2001 (Restated) £000
Turnover	2	15,715	15,791
Cost of sales		(11,214)	(13,942)
Gross profit		4,501	1,849
Other operating expenses (net)	3	(3,664)	(4,658)
Operating profit/(loss)	4	837	(2,809)
Interest payable and similar charges	5	(91)	(138)
Profit/(loss) on ordinary activities before taxation		746	(2,947)
Tax (charge)/credit on profit/(loss) on ordinary activities	8	(142)	919
Profit/(loss) for the financial year		604	(2,028)

Statement of total recognised gains and losses

for the year ended 31 December 2002

	2002 £000	2001 (Restated) £000
Profit/(loss) for the financial year	604	(2,028)
Gain/(loss) on foreign currency translation	6	(1)
Total recognised gains and losses relating to the year	610	(2,029)

Balance sheet

at 31 December 2002

	Notes	2002 £000	2001 (Restated) £000
Fixed assets			
Tangible assets	9	858	1,180
Current assets			
Stocks	10	2,563	2,404
Debtors	11	3,684	4,727
Cash at bank and in hand		1,239	312
		<u>7,486</u>	<u>7,443</u>
Creditors: amounts falling due within one year	12	(4,327)	(5,494)
Net current assets		<u>3,159</u>	<u>1,949</u>
Total assets less current liabilities		4,017	3,129
Creditors: amounts falling due after more than one year	13	(16)	(38)
Net assets		<u>4,001</u>	<u>3,091</u>
Capital and reserves			
Called up share capital	14	250	250
Share premium account	15	86	86
Capital redemption reserve	15	563	563
Other reserves – capital contribution	15	2,750	2,450
Profit and loss account	15	352	(258)
Total shareholders' funds	16	<u>4,001</u>	<u>3,091</u>

Heights. Brown
24/10/03

Notes to the financial statements

at 31 December 2002

1. Accounting policies

Basis of accounting

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

Tangible fixed assets

Tangible fixed assets are shown at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets at rates calculated to write-off the cost of fixed assets on a straight-line basis over their estimated useful lives as follows:

Freehold land and buildings	10 to 25 years
Plant and machinery	4 to 10 years
Fixtures and fittings	2 to 5 years
Motor vehicles	3 to 4 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Costs have been determined using standard costs approximating to actual costs on a first-in, first-out basis. In the case of work-in-progress and finished goods, standard cost comprises direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Deferred Tax

Deferred tax 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 more, or right to pay less, tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised by the Directors if they consider it more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Previously the provision for deferred tax was accounted for under Statement of Standard Accounting Practice (SSAP) 15. It is now accounted for under FRS 19 which was issued on 7 December 2002 and is mandatory for all accounting periods ending on or after 23 January 2002. The impact of the change in accounting policy is shown in the accounts at note 8d.

Pension costs

The company contributes to a defined contribution scheme and the amount charged to the profit and loss account relates to the contributions and related fees payable in the year. Further information on pension costs is provided in note 17.

Notes to the financial statements

at 31 December 2002

1. Accounting policies

(continued)

Foreign currency

Normal trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

Profit and loss accounts of overseas branches are translated at the average rate, with assets and liabilities denominated in foreign currencies at the year end being translated at the exchange rate prevailing at the year end.

Exchange differences arising on the translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the group's investment in such operations, are dealt with through reserves. All other exchange differences are included in the profit and loss account.

Research and development

Research and development expenditure is written-off as incurred.

Leases and hire purchase agreements

The company has entered into finance leases and hire purchase agreements as described in note 13.

Assets held under finance leases and hire purchase agreements are initially reported at the present value of the minimum lease payments at the inception of the lease, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease or agreement term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability, and debited to interest payable and similar charges.

Cash flow statement

As permitted by FRS 1 (Revised), no cash flow statement has been prepared as the company is a wholly owned subsidiary of Stoneridge Inc, whose group accounts include a consolidated cash flow statement, and are publicly available.

Related party transactions

The company has taken advantage of the FRS 8 exemption from having to provide details of transactions with fellow group undertakings.

2. Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services supplied in the normal course of business.

Notes to the financial statements

at 31 December 2002

3. Other operating expenses (net)

	2002	2001
	£000	£000
Selling and distribution costs	1,367	2,200
Administrative expenses	1,827	1,367
Research and development costs	470	1,091
	<u>3,664</u>	<u>4,658</u>

4. Operating profit/(loss)

This is stated after charging/(crediting);

	2002	2001
	£000	£000
Depreciation on tangible fixed assets		
- owned	346	397
- held under finance leases and hire purchase agreements	29	30
Auditors' remuneration	22	23
Staff costs (note 6)	3,299	5,685
Exchange (gain)/loss on foreign currency transactions	(11)	41
Gain on disposal of fixed assets	(34)	-
	<u></u>	<u></u>

5. Interest payable and similar charges

	2002	2001
	£000	£000
Finance leases and hire purchase contracts	3	6
Bank loans	43	109
Intercompany loan	45	23
	<u>91</u>	<u>138</u>

Notes to the financial statements

at 31 December 2002

6. Staff costs

Particulars of employees, excluding executive directors are shown below:

Employees costs during the year amounted to:

	2002 £000	2001 £000
Wages and salaries	2,899	4,997
Social security costs	303	547
Other pension costs	97	141
	<u>3,299</u>	<u>5,685</u>

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

	2002 Number	2001 Number
Administration and management	80	71
Manufacturing	59	159
	<u>139</u>	<u>230</u>

7. Directors' remuneration

The remuneration of the directors was as follows:

	2002 £000	2001 £000
Emoluments	264	360
Company contributions to money purchase pension schemes	20	26
	<u>284</u>	<u>386</u>
Compensation for loss of office	<u>32</u>	<u>73</u>

Pensions

The number of directors who were members of pension schemes was as follows:

	2002 Number	2001 Number
Money purchase schemes	<u>3</u>	<u>5</u>

Notes to the financial statements

at 31 December 2002

7. Directors' remuneration

(continued)

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director

	2002 £000	2001 £000
Emoluments	95	72
Company contributions to money purchase pension schemes	10	8
	<u>105</u>	<u>80</u>

8. Tax on profit/(loss) on ordinary activities

a) The tax charge is made up as follows:

	2002 £000	2001 £000
<i>Current tax:</i>		
UK corporation tax	(105)	-
<i>Foreign tax</i>		
Current tax	66	-
	<u>(39)</u>	<u>-</u>
<i>Deferred tax:</i>		
Originating and reversal of timing differences	181	(919)
	<u>142</u>	<u>(919)</u>

Tax on profit on ordinary activities

b) Factors affecting current tax charge

	2002 £000	2001 £000
Profit/(loss) on ordinary activities before tax	746	(2,947)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	224	(884)
Effect of:		
Disallowed expenses and non-taxable income	23	18
Capital allowances in advance of depreciation	6	31
Other timing differences	(118)	69
Adjustments in respect of previous periods	(105)	-
Excess foreign tax on overseas income	66	-
Utilisation of tax losses	(135)	-
Tax losses carried forward	-	766
	<u>(39)</u>	<u>-</u>

Notes to the financial statements

at 31 December 2002

8. Tax on loss/profit on ordinary activities

(continued)

c) Deferred tax

The deferred tax (asset) consists of:

	2002 £000	2001 £000
Accelerated capital allowance	9	15
Other timing differences	(686)	(938)
Others	(66)	-
	<u>(743)</u>	<u>(923)</u>

The tax charge is based on the profit/(loss) for the year and comprises:

	£000
At 1 January 2001 as previously stated	(53)
Adjustment to 2001 tax charge in respect of previous periods	53
Opening deferred tax asset to be recognised at 1 January 2001 under FRS 19	57
Deferred tax asset to be recognised in 2001 under FRS 19	866
At 1 January 2002 as restated	<u>923</u>

d) Change in accounting policy

FRS 19 "Deferred Taxation" requires full provision to be made for deferred tax liabilities and assets, subject to certain exceptions. Previously the provision for deferred tax was accounted for on the partial provision basis required by Statement of Standard Accounting Practice (SSAP) 15. It is now accounted for under FRS 19 which was issued on 7 December 2002 and is mandatory for all accounting periods ending on or after 23 January 2002. The effect of this change in accounting policy on the previously reported results and net assets is as follows:

	2001 £000
Profit retained	
As previously reported	(2,894)
Effect of implementing new accounting policy	866
As restated	<u>(2,028)</u>
Net assets	
As previously reported	2,168
Effect of implementing new accounting policy	923
As restated	<u>3,091</u>

Notes to the financial statements

at 31 December 2002

9. Tangible fixed assets

	<i>Freehold land and buildings</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Fixtures and fittings</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost					
At 1 January 2002	573	1,953	383	666	3,575
Additions	-	71	-	38	109
Disposals	(9)	(93)	(324)	(26)	(452)
Transfers	84	(84)	-	-	-
At 31 December 2002	648	1,847	59	678	3,232
Depreciation					
At 1 January 2002	209	1,356	298	532	2,395
Charge	36	242	27	70	375
Disposals	(8)	(39)	(324)	(25)	(396)
Transfers	8	(47)	39	-	-
At 31 December 2002	245	1,512	40	577	2,374
Net book value					
At 31 December 2002	403	335	19	101	858
At 31 December 2001	364	597	85	134	1,180

Included in the above are leased motor vehicles with a net book value of £17k (2001: £34k) and leased plant and machinery with a net book value of £6 (2001: £51).

10. Stocks

	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Raw materials and consumables	680	251
Work-in-progress	409	366
Finished goods and goods for resale	1,474	1,787
	2,563	2,404

In the opinion of the directors, the estimated replacement cost of stock is not materially different from its balance sheet value as shown above.

Notes to the financial statements

at 31 December 2002

11. Debtors: amounts falling due within one year

	2002	2001
	£000	£000
Trade debtors	2,633	3,577
Amounts owed by group undertakings	-	150
VAT	22	24
Prepayments and accrued income	286	53
Deferred tax (note 8)	743	923
	<u>3,684</u>	<u>4,727</u>

12. Creditors: amounts falling due within one year

	2002	2001
	£000	£000
Bank overdraft	-	1,092
Bank loans	8	54
Trade creditors	952	1,734
Other creditors		
- UK corporation tax payable	-	105
- Social security and PAYE	188	235
Accruals and deferred income	429	1,258
Obligation under finance leases and hire purchase agreements	20	42
Intercompany loan	611	974
Amounts due to group undertakings	2,119	-
	<u>4,327</u>	<u>5,494</u>

The company has an overdraft facility of £2m available with Bank of Scotland who hold a first and only Standard Security over the company premises at Kilspindie Road, Dundee and a first and only Bond and Floating Charge over the whole assets of the company.

The security over the Kilspindie Road premises was discharged when the site was sold on 3 February 2003.

13. Creditors: amounts falling due after more than one year

	2002	2001
	£000	£000
Bank loans	-	17
Obligations under finance leases and hire purchase agreements	16	21
	<u>16</u>	<u>38</u>

Notes to the financial statements

at 31 December 2002

13. Creditors: amounts falling due after more than one year

Bank loans are repayable as follows:

	2002 £000	2001 £000
Due within 1 year (note 12)	8	54
Due within 1-2 years	-	17
	<u>8</u>	<u>71</u>

Obligations under finance leases and hire purchase agreements are payable as follows:

	2002 £000	2001 £000
Due within 1 year (note 12)	20	42
Due within 1-2 years	16	18
Due within 2-5 years	-	3
	<u>36</u>	<u>63</u>

14. Called up share capital

Authorised, allotted, called up and fully paid

	2002 £000	2001 £000
Equity shares 250,000 ordinary shares of £1 each	250	250

15. Reserves

Of total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise:

	2002 £000	2001 £000
Distributable – profit and loss account	352	(258)
Non distributable		
- share premium account	86	86
- capital redemption	563	563
- capital contribution	2,750	2,450
	<u>3,751</u>	<u>2,841</u>

Notes to the financial statements

at 31 December 2002

15. Reserves

(continued)

During the year Stoneridge Pollak (Holdings) Limited made capital contributions to the company which came to a total of £300,000. It was resolved by the company that these funds will not be distributable.

	2002 £000	2001 £000
Capital redemption reserve		
At 1 January 2002 and 31 December 2002	563	563
Profit and loss account		
	2002 £000	2001 £000
At 1 January 2002	(258)	1,771
Profit/(loss) for the financial year	604	(2,028)
Translation adjustment	6	(1)
At 31 December 2002	352	(258)

16. Reconciliation of movements in shareholders' funds

	2002 £000	2001 £000
Profit/(loss) for the financial year	604	(2,028)
Translation adjustment	6	(1)
Capital contribution	300	2,450
Net addition to shareholder's funds	910	421
Opening shareholders' funds	3,091	2,670
Closing shareholders' funds	4,001	3,091
Equity interests	4,001	3,091
Non-equity interests	-	-
	4,001	3,091

Notes to the financial statements

at 31 December 2002

17. Pension arrangements

The company operates a defined contribution pension scheme. The scheme is a group of personal pension schemes administered by Prudential Life and Pensions.

The company also operates an occupational pension scheme which provides benefits limited to lump sum death-in-service benefits, and a permanent health insurance policy under which long term employee disability insurance cover is provided.

These schemes are open to substantially all employees.

The amount charged to the profit and loss account for the costs to the company of these schemes was £71,000 (2001: £168,000). In addition the company paid fees of £6,000 (2001: £13,000) in respect of professional advice on the schemes.

18. Guarantees and other financial commitments

The company has granted a guarantee in favour of Her Majesty's Customs and Excise to cover the import duty deferment scheme, liability under which is limited to £30k (2001: £30k).

19. Ultimate parent company

The company is a wholly owned subsidiary of Stoneridge Inc, incorporated in the state of Ohio, USA.

The smallest group of which the company is consolidated into is that headed by Stoneridge Pollak (Holdings) Limited. The largest group in which the company is consolidated into is that headed by Stoneridge Inc. The consolidated accounts of these groups are available to the public and may be obtained from the following addresses:

Stoneridge Inc.
9400 East Market Street
Warren, Ohio 44484
USA