

Autoliv Spring Dynamics Limited

Report and Financial Statements

31 December 2002

 **ERNST & YOUNG**



Autoliv Spring Dynamics Limited

Registered No: 898822

Directors

L A Berntsson (Chairman)
E J Reading
C M Lindquist

Secretary

J Bentley

Auditors

Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

Registered office

44 Welbeck Street
London
W1G 8DY

Directors' report

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

Results and dividends

The loss for the year amounted to £1,648,000. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

The company's principal activity during the year was the manufacture of constant force spring assemblies for the automotive industry. The company's non-core spring products business was sold on 1 January 2002 to Spiroflex Limited, a subsidiary undertaking.

Future developments

The company plans to concentrate its spring production in the UK and establish assembly plants on each continent to better meet its customers needs. This will enable it to expand production capacity and improve profitability.

Directors

The directors who served the company during the year were as follows:

L A Berntsson
E J Reading
C M Lindquist
D Goodson

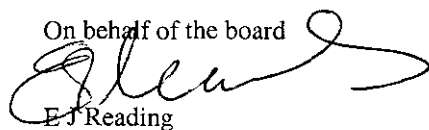
(Served from 25 July 2002 to 30 September 2002)

There are no directors' interests requiring disclosure under the Companies Act 1985.

Auditors

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

On behalf of the board



E J Reading

Director
3 October 2003

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 year. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Independent auditors' report

to the members of Autoliv Spring Dynamics 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.

Independent auditors' report

to the members of Autoliv Spring Dynamics Limited (continued)

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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Southampton

3 OCTOBER 2003

Profit and loss account

for the year ended 31 December 2002

	Notes	2002 £000	2001 £000
Turnover	3		
Continuing operations		9,126	7,263
Discontinued operations		—	1,359
		<u>9,126</u>	<u>8,622</u>
Cost of sales	4	(6,879)	(6,745)
Gross profit		<u>2,247</u>	<u>1,877</u>
Net operating expenses	4	<u>3,607</u>	<u>3,564</u>
Operating loss:	5		
Continuing operations		(1,360)	(2,005)
Discontinued operations		—	318
		<u>(1,360)</u>	<u>(1,687)</u>
Interest payable and similar charges	8	288	126
Loss on ordinary activities before taxation		<u>(1,648)</u>	<u>(1,813)</u>
Tax on loss on ordinary activities	9	—	—
Loss for the financial year		<u>(1,648)</u>	<u>(1,813)</u>

Statement of total recognised gains and losses

There are no recognised gains or losses other than the loss of £1,648,000 attributable to the shareholders for the year ended 31 December 2002 (2001 - loss of £1,813,000).

Balance sheet

at 31 December 2002

	Notes	2002 £000	2001 £000
Fixed assets			
Tangible assets	11	1,426	1,497
Investments	12	71	71
		<u>1,497</u>	<u>1,568</u>
Current assets			
Stocks	13	1,530	1,361
Debtors	14	3,318	2,921
Cash at bank		2	2
		<u>4,850</u>	<u>4,284</u>
Creditors: amounts falling due within one year	15	6,964	4,821
Net current liabilities		<u>(2,114)</u>	<u>(537)</u>
Total assets less current liabilities		<u>(617)</u>	<u>1,031</u>
Capital and reserves			
Called up share capital	17	25	25
Other reserves	18	3	3
Profit and loss account	18	(645)	1,003
Equity shareholders' funds	18	<u>(617)</u>	<u>1,031</u>


E J Reading
Director

3 October 2003

Notes to the financial statements

at 31 December 2002

1. Fundamental accounting concept

The financial statements have been prepared on the going concern basis as the parent company has confirmed that it will continue to give financial support to the company to allow it to pay its debts as they fall due for a period until at least 31 December 2005.

2. Accounting policies

Basis of preparation

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

The accounts present information about the company as an individual undertaking and not about its group.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Related parties transactions

The company is a wholly owned subsidiary of Autoliv AB, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the Autoliv group.

Fixed assets

All fixed assets are initially recorded at cost. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Improvements to Short Term Leasehold Premises	- over 10 years
Plant & Machinery	- over 6 years
Fixtures & Fittings	- over 4 to 10 years
Tooling	- over 3 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	- purchase cost on a first-in, first-out basis.
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Notes to the financial statements

at 31 December 2002

2. Accounting policies (continued)

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Operating lease agreements

Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged in the Profit and Loss Account as they become payable in accordance with the rules of the scheme.

Notes to the financial statements

at 31 December 2002

3. Turnover

Turnover represents the amounts of goods and services invoiced during the period and is stated net of value added tax.

An analysis of turnover by geographical market is given below:

	2002 <i>Continuing Operations</i> £000	2001 <i>Continuing Operations</i> £000	2001 <i>Discontinued Operations</i> £000	2001 <i>Total</i> £000
United Kingdom	194	897	963	1,860
Europe	7,303	5,956	281	6,237
The Americas	323	34	53	87
Others	1,306	376	62	438
	<u>9,126</u>	<u>7,263</u>	<u>1,359</u>	<u>8,622</u>

4. Analysis of cost of sales and net operating expenses

	<i>Continuing Operations</i> £000	<i>Discontinued Operations</i> £000	<i>Total</i> £000
<i>Year ended 31 December 2002</i>			
Cost of sales	<u>6,879</u>	<u>-</u>	<u>6,879</u>
Distribution costs	599	-	599
Administrative and other operating expenses	3,008	-	3,008
Net operating expenses	<u>3,607</u>	<u>-</u>	<u>3,607</u>
<i>Year ended 31 December 2001</i>			
Cost of sales	<u>6,054</u>	<u>691</u>	<u>6,745</u>
Distribution costs	268	74	342
Administrative and other operating expenses	2,946	276	3,222
Net operating expenses	<u>3,214</u>	<u>350</u>	<u>3,564</u>

Discontinued operations in 2001 represented the non-core spring products business which was sold to Spiroflex Limited, a subsidiary, on 1 January 2002.

5. Operating loss

This is stated after charging/(crediting):

	2002 £000	2001 £000
Auditors' remuneration - audit services	<u>25</u>	<u>20</u>
Depreciation of owned fixed assets	<u>356</u>	<u>350</u>
Operating lease rentals - land and buildings	330	330
- plant and machinery	47	70
Net loss on foreign currency translation	141	32
Rental and administrative services	<u>(56)</u>	<u>(96)</u>

Notes to the financial statements

at 31 December 2002

6. Staff costs

	2002 £000	2001 £000
Wages and salaries	2,504	2,875
Social security costs	301	242
Other pension costs	27	145
	<u>2,832</u>	<u>3,262</u>

The monthly average number of employees during the year was as follows:

	2002 No.	2001 No.
Production staff	123	148
Sales staff	7	4
Administrative staff	10	8
	<u>140</u>	<u>160</u>

The company makes certain staff available to its subsidiary, Spiroflex Limited under a supply agreement. The company charged Spiroflex Limited £570,000 under this agreement in respect of 2002.

7. Directors' emoluments

	2002 £000	2001 £000
Emoluments (excluding pension costs)	<u>138</u>	<u>88</u>
Value of company pension contributions to money purchase schemes	<u>27</u>	<u>21</u>

One director (2001: one) was a member of the company's defined contribution pension scheme, and one director (2001: nil) received contributions payable to a private defined contribution pension scheme.

8. Interest payable and similar charges

	2002 £000	2001 £000
Bank interest	<u>288</u>	<u>126</u>

Notes to the financial statements

at 31 December 2002

9. Tax

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2001 - 30%). The differences are reconciled below:

	2002 £000	2001 £000
Loss on ordinary activities before taxation	(1,648)	(1,813)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(494)	(544)
Expenses not deductible for tax purposes	20	41
Capital allowances in excess of depreciation	(13)	(48)
Other timing differences	(12)	64
Group relief not paid for	499	487
Total current tax	-	-

Deferred tax

The deferred taxation asset not recognised in the accounts is as follows:

	2002 £000	2001 £000
Capital allowances in advance of depreciation	18	19
Tax losses available	109	206
Other timing differences	19	7
	146	232

10. Disposal of business

On 1 January 2002 the company sold its non-core spring products business to Spiroflex Limited, a subsidiary company.

An analysis of the disposal is as follows:

	£000
Net Assets disposed of:	
Fixed Assets	59
Stock	480
Debtors	590
	1,129
Satisfied by cash	1,129

Notes to the financial statements

at 31 December 2002

11. Tangible fixed assets

	<i>Improvements to leasehold premises £000</i>	<i>Plant & equipment £000</i>	<i>Total £000</i>
Cost:			
At 1 January 2002	225	4,772	4,997
Additions	60	284	344
Disposals	—	(535)	(535)
At 31 December 2002	285	4,521	4,806
Depreciation:			
At 1 January 2002	82	3,418	3,500
Provided during the year	29	327	356
Disposals	—	(476)	(476)
At 31 December 2002	111	3,269	3,380
Net book value:			
At 31 December 2002	174	1,252	1,426
At 1 January 2002	143	1,354	1,497

12. Investments

	<i>Shares in group companies brought forward £000</i>
Cost and net book value:	
At 1 January 2002 & 31 December 2002	71

Details of the investments in which the company holds more than 10% of the nominal value of any class of share capital are as follows:

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Country of incorporation</i>	<i>Nature of business</i>
Autoliv Yay Diramikteri Turkiye Ltd STI	Capital share	100%	Turkey	Manufacturing
Spiroflex Ltd	Ordinary share	100%	England	Manufacturing

In the opinion of the directors the value of the company's investments in subsidiary undertakings (including amounts owed by subsidiary undertakings) is not less than the amount at which they are stated in the accounts.

The company has not consolidated the results of its subsidiary undertakings within these financial statements, as it is a wholly owned subsidiary of Autoliv AB, a company registered in Sweden. Accordingly the financial statements present information about the company as an individual undertaking and not about its group.

Notes to the financial statements

at 31 December 2002

13. Stocks

	2002 £000	2001 £000
Raw materials	1,019	867
Work in progress	438	401
Finished goods	73	93
	<u>1,530</u>	<u>1,361</u>

14. Debtors

	2002 £000	2001 £000
Trade debtors	146	344
Amounts owed by group undertakings	2,829	1,990
VAT debtor	129	43
Balance due from sale of pedestrian guidance system business	–	300
Taxation	26	78
Prepayments and other debtors	188	166
	<u>3,318</u>	<u>2,921</u>

15. Creditors: amounts falling due within one year

	2002 £000	2001 £000
Bank overdraft	5,013	3,324
Trade creditors	1,266	1,070
Amounts owed to group undertakings	480	151
Other taxation and social security	66	79
Accruals	139	197
	<u>6,964</u>	<u>4,821</u>

16. Commitments under operating leases

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	2002		2001	
	<i>Land and buildings</i> £000	<i>Other</i> £000	<i>Land and buildings</i> £000	<i>Other</i> £000
Operating leases which expire:				
Within one year	–	4	–	5
In two to five years	–	30	–	26
In over five years	330	–	330	–
	<u>330</u>	<u>34</u>	<u>330</u>	<u>31</u>

Notes to the financial statements

at 31 December 2002

17. Share capital

	<i>Authorised</i>	
	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	30	30

<i>Allotted, called up and fully paid</i>			
	<i>2002</i>		<i>2001</i>
	<i>No.</i>	<i>£000</i>	<i>No.</i>
			<i>£000</i>
Ordinary shares of £1 each	25,500	25	25,500

18. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Capital redemption reserve</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2001	25	3	2,816	2,844
Loss for the year	—	—	(1,813)	(1,813)
At 31 December 2001	25	3	1,003	1,031
Loss for the year	—	—	(1,648)	(1,648)
At 31 December 2002	25	3	(645)	(617)

19. Ultimate parent company

The ultimate parent undertaking, which is also the parent for the largest and smallest group of undertakings for which group accounts are drawn up and of which the company is a member is Autoliv AB, incorporated in Sweden. Group accounts are available on request from:

Autoliv AB
Box 70381
SE-107 24 Stockholm
Sweden.