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Autoliv Spring Dynamics Limited

Report and Financial Statements

31 December 2004

 **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

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Directors' report

The directors present their report and financial statements for the year ended 31 December 2004.

Results and dividends

The loss for the year amounted to £566,000. 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.

There has been growth in the automotive market for the company's products and the company's share has improved resulting in increased volumes delivered. Although the overall position is an improvement, the gains from volume have been offset by competitive pressure on selling prices.

Future developments

Further growth in demand for the company's products is expected which will enable it to operate at full capacity and activity in the UK will consolidate on the core activity of spring manufacture. Cost reduction initiatives will include transfer of high labour content no-core operations to low labour costs countries. These actions are expected to achieve improved profitability.

Directors

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

L A Berntsson
E J Reading
C M Lindquist

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

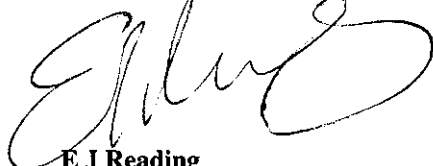
Directors' liabilities

A group company has indemnified one or more directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision was in force during the year.

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

13 December 2005

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

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 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 18. 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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Ernst & Young LLP
Registered Auditor
Southampton**

16 December 2005

Profit and loss account

for the year ended 31 December 2004

	Notes	2004 £000	2003 £000
Turnover	3	12,178	11,488
Cost of sales		9,028	9,136
Gross profit		3,150	2,352
Distribution costs		615	597
Administrative expenses		2,835	2,751
Operating loss	4	(300)	(996)
Interest receivable	7	5	44
Interest payable and similar charges	8	(271)	(445)
		(266)	(401)
Loss on ordinary activities before taxation		(566)	(1,397)
Tax on loss on ordinary activities	9	–	–
Loss for the financial year		(566)	(1,397)

Statement of total recognised gains and losses


There are no recognised gains or losses other than the loss of £566,000 attributable to the shareholders for the year ended 31 December 2004 (2003 - loss of £1,397,000).

Balance sheet

at 31 December 2004

	Notes	2004 £000	2003 £000
Fixed assets			
Tangible assets	10	1,093	1,359
Investments	11	—	—
		<u>1,093</u>	<u>1,359</u>
Current assets			
Stocks	12	783	1,330
Debtors	13	3,068	2,139
Cash at bank		1	2
		<u>3,852</u>	<u>3,471</u>
Creditors: amounts falling due within one year	14	<u>7,525</u>	<u>6,844</u>
Net current liabilities		<u>(3,673)</u>	<u>(3,373)</u>
Total assets less current liabilities		<u>(2,580)</u>	<u>(2,014)</u>
Capital and reserves			
Called up share capital	16	25	25
Other reserves	17	3	3
Profit and loss account	17	<u>(2,608)</u>	<u>(2,042)</u>
Equity shareholder's funds	17	<u>(2,580)</u>	<u>(2,014)</u>

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E.J. Reading
Director

13 December 2005

Notes to the financial statements

at 31 December 2004

1. Fundamental accounting concept

The financial statements have been prepared on the going concern basis as the ultimate 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 2006.

2. Accounting policies

Basis of preparation

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

The company is exempt from the obligation to prepare and deliver group financial statements by virtue of Companies Act 1985 Section 228, as the company's ultimate parent company publishes group financial statements in which this company is included. Accordingly, the financial statements 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 consolidated financial statements.

Related parties transactions

The company's ultimate parent company is 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 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 3 to 10 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 2004

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;
- 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 2004

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:

	2004 £000	2003 £000
United Kingdom	–	14
Europe	8,313	8,003
The Americas	1,177	1,060
Rest of the world	2,688	2,411
	<u>12,178</u>	<u>11,488</u>

4. Operating loss

This is stated after charging/(crediting):

	2004 £000	2003 £000
Auditors' remuneration - audit services	25	25
- non-audit services	–	–
	<u>480</u>	<u>366</u>
Depreciation of owned fixed assets	480	366
Operating lease rentals - land and buildings	229	330
- plant and machinery	13	22
Net loss on foreign currency translation	58	384
Rental and administrative services	(247)	(207)
	<u>220</u>	<u>555</u>

5. Staff costs

	2004 £000	2003 £000
Wages and salaries	2,084	1,842
Social security costs	251	298
Other pension costs	85	93
	<u>2,420</u>	<u>2,233</u>

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

	2004 No.	2003 No.
Production staff	104	114
Sales staff	1	3
Administrative staff	8	11
	<u>113</u>	<u>128</u>

The company makes certain staff available to its subsidiary, Spiroflex Limited under a supply agreement. The company charged Spiroflex Limited £572,000 (2003: £702,000) under this agreement in the year.

Notes to the financial statements

at 31 December 2004

6. Directors' emoluments

	2004 £000	2003 £000
Emoluments	108	126
Value of company pension contributions to money purchase schemes	21	21

One director (2003: one) was a member of the company's defined contribution pension scheme, and one director (2003: one) received contributions payable to a private defined contribution pension scheme.

7. Interest receivable

	2004 £000	2003 £000
Other loan interest receivable	5	44

8. Interest payable and similar charges

	2004 £000	2003 £000
Bank interest	271	445

9. Taxation on ordinary activities

There is no charge for taxation in the current or previous year.

(a) 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% (2003 - 30%). The differences are reconciled below:

	2004 £000	2003 £000
Loss on ordinary activities before taxation	(566)	(1,397)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(168)	(419)
Expenses not deductible for tax purposes	9	18
Decelerated / (accelerated) capital allowances	39	(7)
Other timing differences	(8)	(5)
Group relief not paid for	128	413
Total current tax	-	-

Notes to the financial statements

at 31 December 2004

9. Taxation on ordinary activities (continued)

(b) Deferred tax

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

	2004 £000	2003 £000
Depreciation in advance of capital allowances	50	11
Tax losses available	–	109
Other timing differences	7	14
	<u>57</u>	<u>134</u>

10. Tangible fixed assets

	<i>Improvements to short term leasehold premises £000</i>	<i>Plant & equipment £000</i>	<i>Total £000</i>
Cost:			
At 1 January 2004	287	4,603	4,890
Additions	20	192	212
Disposals	–	(434)	(434)
At 31 December 2004	<u>307</u>	<u>4,361</u>	<u>4,668</u>
Depreciation:			
At 1 January 2004	141	3,390	3,531
Provided during the year	39	441	480
Disposals	–	(436)	(436)
At 31 December 2004	<u>180</u>	<u>3,395</u>	<u>3,575</u>
Net book value:			
At 31 December 2004	<u>127</u>	<u>966</u>	<u>1,093</u>
At 1 January 2004	<u>146</u>	<u>1,213</u>	<u>1,359</u>

Notes to the financial statements

at 31 December 2004

11. Investments

*Shares in group
companies
£000*

Cost:

At 1 January 2004 and 31 December 2004

1

Amounts provided:

At 1 January 2004 and 31 December 2004

1

Net book value:

At 1 January 2004 and 31 December 2004

-

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>
Spiroflex Ltd	Ordinary shares	100%	England	Manufacturing

12. Stocks

	<i>2004 £000</i>	<i>2003 £000</i>
Raw materials	488	802
Work in progress	226	396
Finished goods	69	132
	<u>783</u>	<u>1,330</u>

13. Debtors

	<i>2004 £000</i>	<i>2003 £000</i>
Trade debtors	29	16
Amounts owed by group undertakings	2,709	1,802
Other debtors	157	107
Taxation	-	26
Prepayments and other debtors	173	188
	<u>3,068</u>	<u>2,139</u>

Notes to the financial statements

at 31 December 2004

14. Creditors: amounts falling due within one year

	2004 £000	2003 £000
Bank overdraft	4,818	4,848
Trade creditors	2,082	1,695
Amounts owed to group undertakings	352	52
Other taxation and social security	76	108
Other creditors	22	18
Accruals and deferred income	175	123
	<u>7,525</u>	<u>6,844</u>

15. Commitments under operating leases

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	2004		2003	
	<i>Land and buildings £000</i>	<i>Other £000</i>	<i>Land and buildings £000</i>	<i>Other £000</i>
Operating leases which expire:				
Within one year	–	3	–	4
In two to five years	–	–	–	10
In over five years	224	–	330	–
	<u>224</u>	<u>3</u>	<u>330</u>	<u>14</u>

16. Share capital

	2004 £000		<i>Authorised</i> 2003 £000	
Ordinary shares of £1 each		30		30
		<u>30</u>		<u>30</u>
	<i>Allotted, called up and fully paid</i>			
	<i>No.</i>	<i>2004 £000</i>	<i>No.</i>	<i>2003 £000</i>
Ordinary shares of £1 each	25,000	<u>25</u>	25,000	<u>25</u>

Notes to the financial statements

at 31 December 2004

17. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i> £000	<i>Capital redemption reserve</i> £000	<i>Profit and loss account</i> £000	<i>Total share- holders' funds</i> £000
At 1 January 2003	25	3	(645)	(617)
Loss for the year	—	—	(1,397)	(1,397)
At 31 December 2003	25	3	(2,042)	(2,014)
Loss for the year	—	—	(566)	(566)
At 31 December 2004	25	3	(2,608)	(2,580)

18. 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.