

KETLON LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2003



Company Number

4375868

KETLON LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2003

Company registration number	4375868
Registered office	Transfesa Road Paddock Wood Kent TN12 6UU
Directors:	Andrew Barr Russell Barr Brian Barr Alan N Latham Paul A Cahill David Nicholas Debra Barr (Non-executive director appointed 10 December 2003)
Secretary	Helen Shutt
Bankers	Barclays Bank Plc Reading GE Capital Commercial Finance Limited Reigate Surrey
Solicitors	Manches Solicitors
Auditors	Grant Thornton Registered Auditors Chartered Accountants Central Milton Keynes

KETLON LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2003

	PAGE
Report of the directors	1 - 2
Report of the independent auditors	3
Principal accounting policies	4 - 5
Profit and Loss Account	6
Balance Sheet	7
Cash flow statement	8
Notes to the Financial Statements	9 - 16

KETLON LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

Principal activity

The principal activity of the company is the manufacture and sale of motor vehicle components.

Business Review

There was a profit for the year after taxation amounting to £1,255,476 (2002: £913,802). The directors do not recommend the payment of a dividend.

Turnover, gross profit and operating profit were all well ahead of the plan and a profit before taxation for the year of £1,613,945 (2002: £1,255,802) was achieved. The balance sheet shows net current assets of £2.6 million (2002: £1.7 million) including cash at bank of £2.3 million (2002: £2.0 million).

Directors

The membership of the Board for the year ended 31 December 2003 is set out below.

The interest of the directors and their families in the shares of the company as at 1 January 2003 and 31 December 2003 (or date of appointment if later) were as follows:

	Ordinary shares of £1 each	
	31-Dec-03	01-Jan-03
Andrew Barr	25	75
Russell Barr	25	25
Brian J Barr	50	-
Alan N Latham	-	-
Paul A Cabill	-	-
David Nicholas	-	-
Debra Barr (Non-executive director appointed 10 December 2003)	-	-

No director had any right to subscribe in shares of the company during the period, or was granted or exercised any right in the period.

Directors' responsibilities for the financial statement

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
- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

KETLON LIMITED

REPORT OF THE DIRECTORS

Employee involvement

The company has established a practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company. This is achieved through an employees forum comprising representatives from each area of the business, which meets monthly. The forum is used to communicate on business issues that affect the employees. The company also uses communication boards in each area of the site, holds weekly team talks, and issues a monthly newsletter. The company also holds monthly management meetings and twice a year employee presentations are given covering important aspects of the business.

Disabled employees

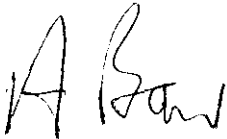
Applications for employment by disabled persons are given full consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of current employees becoming disabled, every effort is made to carry out any retraining necessary in order that their employment with the company may continue.

It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

Auditors

A resolution to reappoint Grant Thornton as auditors to the company will be proposed at the annual general meeting.

ON BEHALF OF THE BOARD



Andrew Barr
Director
17 June 2004

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF KETLON LIMITED

We have audited the financial statements of Ketlon Limited for the year ended 31 December 2003 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement and notes 1 to 22. The financial statements have been prepared under 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 auditor's 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 the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with 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 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 work, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the directors' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statement. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with the 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 the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
Central Milton Keynes**

Date 17 June 2004

KETLON LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The principal accounting policies of the company are set out below and have remained unchanged from the previous year.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts, and is recognised when goods are despatched.

NEGATIVE GOODWILL

Negative goodwill arising on acquisitions are written back to the profit and loss account to match the recovery of the non-monetary assets acquired.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The periods generally applicable are:

Assets in the course of construction	Nil
Plant and Machinery	7 years straight line
Office equipment	2 years straight line

LEASED ASSETS

Assets held under finance lease and hire purchase contracts are capitalised in the balance sheet and depreciated over the expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

STOCKS

Stocks are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using the rates of tax that have been enacted or substantively enacted by the balance sheet date.

KETLON LIMITED

PRINCIPAL ACCOUNTING POLICIES

FOREIGN CURRENCY

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

CONTRIBUTIONS TO PENSION SCHEMES

Defined Contribution Scheme

The pensions costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

KETLON LIMITED**PROFIT AND LOSS ACCOUNT**

		YEAR ENDED 31.12.2003 £	FOR THE PERIOD 18.02 2002 TO 31.12.2002 £
	Notes		
Turnover	1	24,677,254	21,465,266
Cost of Sales		(20,009,615)	(18,797,232)
Gross profit		<u>4,667,639</u>	<u>2,668,034</u>
Other operating charges	2	(2,959,118)	(1,304,141)
Operating profit		<u>1,708,521</u>	<u>1,363,893</u>
Net interest	3	(94,576)	(108,091)
Profit on ordinary activities before taxation		<u>1,613,945</u>	<u>1,255,802</u>
Tax on profit on ordinary activities	5	(358,469)	(342,000)
Profit for the financial year retained		<u>1,255,476</u>	<u>913,802</u>
Profit brought forward		<u>913,802</u>	<u>-</u>
Profit carried forward		<u><u>2,169,278</u></u>	<u><u>913,802</u></u>

All the results above relate to continuing activities

There are no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

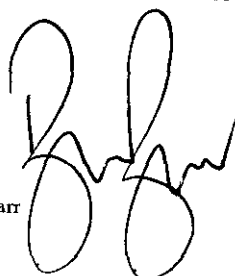
KETLON LIMITED

BALANCE SHEET AT 31 DECEMBER 2003

	Notes	2003 £	2002 £
Fixed assets			
Intangible assets- negative goodwill	6	(3,119,543)	(3,543,376)
Tangible assets	7	<u>2,813,426</u>	<u>3,018,877</u>
		(306,117)	(524,499)
Current Assets			
Stocks	8	1,016,069	1,415,871
Debtors	9	4,735,900	4,050,354
Cash at bank and in hand		2,268,546	1,997,347
		<u>8,020,515</u>	<u>7,463,572</u>
CREDITORS: Amounts falling due within one year	10	<u>(5,419,445)</u>	<u>(5,788,893)</u>
NET CURRENT ASSETS		<u>2,601,070</u>	<u>1,674,679</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,294,953</u>	<u>1,150,180</u>
CREDITORS: Amounts falling due after more than one year	11	(99,284)	(224,278)
Provisions for liabilities and charges	13	(26,291)	(12,000)
		<u>£ 2,169,378</u>	<u>£ 913,902</u>
CAPITAL AND RESERVES			
Called up share capital	15	100	100
Profit and loss account		2,169,278	913,802
Shareholders' funds	16	<u>£ 2,169,378</u>	<u>£ 913,902</u>

These financial statements were approved by the Board of Directors on 17 June 2004

Brian Barr



The accompanying accounting policies and notes form an integral part of these financial statements.

KETLON LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2003

	Notes	2003	2002
		£	£
Net cash inflow/(outflow) from operating activities	17	1,434,111	2,193,867
Returns on investment and servicing of finance:			
Interest received		51,057	55,623
Interest paid		(24,298)	(44,165)
Invoice discounting charges paid		(24,583)	(58,130)
Finance lease interest paid		(24,863)	(6,686)
Net cash flow from returns on investment and servicing of finance		(22,687)	(53,358)
Taxation		(330,180)	-
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(181,539)	(59,336)
Net cash flow from capital expenditure and financial investment		(181,539)	(59,336)
Acquisition and disposals			
Purchase of Ketlon business		-	(621,379)
Net cash flow from acquisitions and disposals		-	(621,379)
Net cash flow before financing		899,705	1,459,794
Financing:			
Issue of ordinary share capital		-	100
Bank loan		-	1,000,000
Debt costs paid		(71,889)	(79,433)
Repayment of loan		(455,561)	(356,432)
Finance lease capital repayments		(101,056)	(26,682)
Net cash flow from financing		(628,506)	537,553
Increase/(Decrease) in cash	18	271,199	1,997,347

The accompanying accounting policies and notes form an integral part of these financial statements.

KETLON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

1. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit on ordinary activities before taxation is attributable to the manufacture and sale of motor vehicle components from the UK. Turnover by destination is:

	2003 £	For the period 18.02 2002 to 31.12.2002 £
United Kingdom	17,697,235	15,629,293
Overseas	6,980,019	5,835,973
	<u>24,677,254</u>	<u>21,465,266</u>

The profit on ordinary activities before taxation is stated after:

	2003 £	For the period 18.02 2002 to 31.12.2002 £
Auditors' remuneration:		
Audit services	24,000	24,500
Non-audit services	6,600	7,800
Depreciation:		
Tangible fixed assets owned	473,758	376,084
Tangible fixed assets held under finance lease	101,063	19,375
Amortisation of negative goodwill	(556,641)	(1,688,058)
Hire of plant and machinery under operating leases	119,724	50,104
Other operating lease rentals	606,008	92,916

2. OTHER OPERATING CHARGES

	2003 £	For the period 18.02 2002 to 31.12.2002 £
Distribution costs	293,274	342,376
Administration expenses (including negative goodwill amortisation)	2,808,870	1,011,159
Other operating income	(143,026)	(49,394)
	<u>2,959,118</u>	<u>1,304,141</u>

3. NET INTEREST

	2003 £	For the period 18.02 2002 to 31.12.2002 £
Interest payable on bank loan	24,298	44,165
Invoice discounting charges	24,583	58,130
Lease purchase interest	24,863	6,686
	<u>73,744</u>	<u>108,981</u>
Other debt costs	71,889	54,733
Interest receivable	(51,057)	(55,623)
	<u>94,576</u>	<u>108,091</u>

KETLON LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2003****4. DIRECTORS AND EMPLOYEES**

Staff costs during the period were as follows:

	2003	For the period 18.02.2002 to 31.12.2002
	£	£
Wages and salaries	7,764,160	6,551,595
Social security costs	772,809	555,930
Other pension costs	356,885	380,332
	<u>8,893,854</u>	<u>7,487,857</u>

The average number of employees of the company during the period was:

	2003	For the period 18.02.2002 to 31.12.2002
	Number	Number
Production	307	420
Administration	46	41
	<u>353</u>	<u>461</u>

Remuneration in respect of directors was as follows:

	2003	For the period 18.02.2002 to 31.12.2002
	£	£
Emoluments	743,905	326,947
Pension contributions to money purchase pension schemes	99,812	34,435
	<u>843,717</u>	<u>361,382</u>

During the year, 4 directors participated in money purchase schemes (2002: 2).

The amount set out above includes remuneration in respect of the highest paid director as follows:

	2003	For the period 18.02.2002 to 31.12.2002
	£	£
Emoluments	252,232	84,599
Pension contributions to money purchase pension schemes	22,865	21,750
	<u>275,097</u>	<u>106,349</u>

KETLON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	2003 £	For the period 18.02 2002 to 31.12.2002 £
United Kingdom corporation tax at 30%	347,229	330,000
Adjustment in respect of prior year	(3,051)	-
Total current tax	<u>344,178</u>	<u>330,000</u>
Origination and reversal of timing differences	14,291	12,000
Total deferred tax	<u>14,291</u>	<u>12,000</u>
Tax on profit on ordinary activities	<u>358,469</u>	<u>342,000</u>

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained as follows:

	2003 £	For the period 18.02 2002 to 31.12.2002 £
Profit on ordinary activities multiplied by the standard rate of corporation tax in UK of 30%	484,183	376,741
Effect of:		
Expenses not deductible for tax purposes	22,994	373,719
Depreciation for the period in excess of capital allowances	104,951	89,344
Fair value stock adjustment	(97,907)	-
Amortisation of negative goodwill not taxable	(166,992)	(506,418)
Marginal tax rate	-	(3,386)
	<u>347,229</u>	<u>330,000</u>

KETLON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

6. INTANGIBLE FIXED ASSETS

	Negative goodwill
	2003
	£
Cost	
At 1 January 2003	(5,231,434)
Adjustments to fair values on acquisition	(132,808)
At 31 December 2003	<u>(5,364,242)</u>
Amortisation	
Accumulated credit as at 1st January 2003	1,688,058
Credit for the period	556,641
At 31 December 2003	<u>2,244,699</u>
Net book amount	
At 31 December 2003	<u><u>(3,119,543)</u></u>
At 31 December 2002	<u><u>(3,543,376)</u></u>

7. TANGIBLE FIXED ASSETS

	Assets in the course of construction	Plant and Machinery	Office equipment	Total
	£	£	£	£
Cost				
At 1 January 2003	16,549	3,242,787	155,000	3,414,336
Additions	91,301	109,337	168,732	369,370
Transfer	(16,549)	16,549	-	-
At 31 December 2003	<u>91,301</u>	<u>3,368,673</u>	<u>323,732</u>	<u>3,783,706</u>
Depreciation				
At 1 January 2003	-	(376,084)	(19,375)	(395,459)
Charge for the period	-	(471,466)	(103,355)	(574,821)
At 31 December 2003	<u>-</u>	<u>(847,550)</u>	<u>(122,730)</u>	<u>(970,280)</u>
Net book value				
At 31 December 2003	<u><u>91,301</u></u>	<u><u>2,521,123</u></u>	<u><u>201,002</u></u>	<u><u>2,813,426</u></u>
At 31 December 2002	<u><u>16,549</u></u>	<u><u>2,866,703</u></u>	<u><u>135,625</u></u>	<u><u>3,018,877</u></u>

The figures above include office equipment and plant and machinery held under finance leases at a net book value of £222,393 (2002:£135,625). Depreciation charged on these assets amounted to £101,063 (2002: £19,375).

8. STOCKS

	2003	2002
	£	£
Raw materials and consumables	809,488	1,048,287
Work in progress	166,696	305,235
Finished goods	39,885	62,349
	<u><u>1,016,069</u></u>	<u><u>1,415,871</u></u>

KETLON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

9. DEBTORS

	2003	2002
	£	£
Trade debtors	4,022,690	3,722,306
Other debtors	530,603	131,759
Prepayments and accrued income	182,607	196,289
	<u>4,735,900</u>	<u>4,050,354</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£	£
Bank loan	163,307	458,868
Trade creditors	2,981,228	2,168,516
Corporation tax	344,178	330,000
Other taxation and social security	442,607	392,669
Accruals and deferred income	631,327	961,486
Other creditors	740,990	1,413,314
Obligations under finance leases	115,808	64,040
	<u>5,419,445</u>	<u>5,788,893</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003	2002
	£	£
Bank loan	-	160,000
Obligations under finance leases	99,284	64,278
	<u>99,284</u>	<u>224,278</u>

The bank loan is secured by a charge over all the assets of the company. The bank loan is repayable in instalments in the period to April 2004 and bears interest at a rate of 1.9% pa above base rate.

12. BORROWINGS

	Finance leases		Bank loans	
	2003	2002	2003	2002
	£	£	£	£
Within one year	115,808	64,040	163,307	458,868
After one and within two years	99,284	64,039	-	160,000
After two and within five years	-	239	-	-
	<u>215,092</u>	<u>128,318</u>	<u>163,307</u>	<u>618,868</u>

KETLON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation	
	2003 £	2002 £
Balance at 1st January 2003	12,000	-
Charge to profit and loss account	14,291	12,000
At 31 December 2003	<u>26,291</u>	<u>12,000</u>

14. DEFERRED TAXATION

	Amount provided	
	2003 £	2002 £
Accelerated capital allowances	<u>26,291</u>	<u>12,000</u>

15. SHARE CAPITAL

	2003 £	2002 £
Authorised Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid Ordinary shares of £1 each	<u>100</u>	<u>100</u>

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit/(loss) in the year	1,255,476	913,802
Issue of shares	-	100
Opening shareholders' equity funds	913,902	-
Closing shareholders' equity funds	<u>2,169,378</u>	<u>913,902</u>

KETLON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

17. NET CASH FLOW FROM OPERATING ACTIVITIES

	2003	2002
	£	£
Operating profit	1,708,521	1,363,893
Depreciation	574,821	395,459
Amortisation of negative goodwill	(556,641)	(1,688,058)
(Increase)/Decrease in stock	69,515	104,045
(Increase)/Decrease in debtors	(779,937)	(2,282,683)
(Decrease)/Increase in creditors	417,832	4,301,211
	<u>1,434,111</u>	<u>2,193,867</u>

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2003	2002
	£	£
Increase in cash in the period	271,199	1,997,347
Cash outflow from finance leases and loans	<u>556,617</u>	<u>(574,544)</u>
Change in net funds resulting from cash flows	827,816	1,422,803
Inception of finance leases	(187,831)	(155,000)
Other non-cash movements	-	(17,642)
Movement in net funds in the period	639,985	1,250,161
Net funds at 1 January 2003	<u>1,250,161</u>	-
Net funds at 31 December 2003	<u>1,890,146</u>	<u>1,250,161</u>

19. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January 2003	Cash flow	Non cash movements	At 31 December 2003
	£	£	£	£
Cash in hand	1,997,347	271,199	-	2,268,546
Loans	(618,868)	455,561	-	(163,307)
Finance leases	(128,318)	101,056	(187,831)	(215,093)
	<u>1,250,161</u>	<u>827,816</u>	<u>(187,831)</u>	<u>1,890,146</u>

20. CAPITAL COMMITMENTS

The company had capital commitments amounting to £370,120 at 31 December 2003 (2002: nil).

21. PENSIONS

Defined contribution scheme

The company operates a money purchase pension scheme for the benefit of all employees and directors. The assets of the scheme are administered by trustees in funds independent from those of the company.

KETLON LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2003**

22. LEASING COMMITMENTS

Operating lease payments amounting to £652,782 (2002: £643,020) are due within one year. The leases to which these amounts relate expire as follows:

	2003	2003	2002	2002
	Land and	Other	Land and	Other
	Buildings		Buildings	
	£	£	£	£
In one year or less	-	49,954	-	50,104
Between one and five years	500,000	102,828	500,000	92,916
	<u>500,000</u>	<u>152,782</u>	<u>500,000</u>	<u>143,020</u>