

Company
Number
1067795

**Report of the Directors and
Financial Statements
for the year ended 31 December 2002
for
AVL United Kingdom Ltd**



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AVL United Kingdom Ltd

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for the year ended 31 December 2002**

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AVL United Kingdom Ltd
Company Information
for the year ended 31 December 2002

DIRECTORS:	H O List R M Gurden
SECRETARY:	R Whitby
REGISTERED OFFICE:	AVL House Rudheath Way Gadbrook Park Northwich CHESHIRE CW9 7LL
REGISTERED NUMBER:	1067795 (England and Wales)
AUDITORS:	Cooper Taylor Chartered Accountants Registered Auditors The Dowery Barker Street Nantwich Cheshire CW5 5TE
BANKERS:	NatWest Northwich Branch The Bull Ring Northwich CHESHIRE CW9 5BN
SOLICITORS:	Smith Whittingham Dysart Buildings Nantwich Cheshire CW5 5DW

AVL United Kingdom Ltd

**Report of the Directors
for the year ended 31 December 2002**

The directors present their report with the financial statements of the company for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of providing marketing and support in the United Kingdom with regard to powertrain engineering consulting, test systems and instrumentation provided by AVL Holding GmbH, the ultimate holding company.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

During the year the holding company subscribed for a further £1.3 million of share capital in the company.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2002.

DIRECTORS

The directors during the year under review were:

H O List
R M Gurden

The directors holding office at 31 December 2002 did not hold any beneficial interest in the issued share capital of the company at 1 January 2002 or 31 December 2002.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

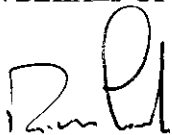
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The auditors, Cooper Taylor, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



.....
R M Gurden - DIRECTOR

Dated: 21/5/03

AVL United Kingdom Ltd

**Report of the Independent Auditors to the Shareholders of
AVL United Kingdom Ltd**

We have audited the financial statements of AVL United Kingdom Ltd for the year ended 31 December 2002 on pages four to eighteen. These financial statements have been prepared under the historical cost convention and 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 on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom 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 Report of the Directors 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 Report of the Directors 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 the company's affairs 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.

Cooper Taylor

Cooper Taylor
Chartered Accountants
Registered Auditors
The Dowery
Barker Street
Nantwich Cheshire
CW5 5TE

Dated: *2 May 2003*

AVL United Kingdom Ltd

**Profit and Loss Account
for the year ended 31 December 2002**

		<u>2002</u>		<u>Restated 2001</u>	
	Notes	£	£	£	£
TURNOVER	2		13,444,429		11,077,053
Cost of sales			<u>7,429,540</u>		<u>6,425,453</u>
GROSS PROFIT			6,014,889		4,651,600
Distribution costs		49,272		37,239	
Administrative expenses		<u>6,781,617</u>		<u>5,086,429</u>	
			<u>6,830,889</u>		<u>5,123,668</u>
OPERATING LOSS	4		(816,000)		(472,068)
Interest receivable and similar income			<u>5,323</u>		<u>12,332</u>
			(810,677)		(459,736)
Interest payable and similar charges	6		<u>15,406</u>		<u>25,411</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			(826,083)		(485,147)
Tax on loss on ordinary activities	7		<u>(236,999)</u>		<u>9,884</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION			<u>(589,084)</u>		<u>(495,031)</u>
DEFICIT FOR THE YEAR			<u>£(589,084)</u>		<u>£(495,031)</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

AVL United Kingdom Ltd

**Statement of Total Recognised Gains and Losses
for the year ended 31 December 2002**

	<u>2002</u>	<u>Restated 2001</u>
	£	£
LOSS FOR THE FINANCIAL YEAR	(589,084)	(495,031)
	<hr/>	<hr/>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	(589,084)	(495,031)
Prior year adjustment	Note 8	
	<u>(1,334,494)</u>	<u>(731,497)</u>
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT	<u>£(1,923,578)</u>	<u>£(1,226,528)</u>

The notes form part of these financial statements

AVL United Kingdom Ltd

**Balance Sheet
31 December 2002**

		<u>2002</u>		<u>Restated 2001</u>	
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	9		995,200		736,255
CURRENT ASSETS					
Stocks	10	902,475		812,716	
Debtors: amounts falling due within one year	11	6,757,056		4,767,689	
Debtors: amounts falling due after more than one year	11	690,000		453,000	
Cash at bank and in hand		<u>92,934</u>		<u>445,723</u>	
		8,442,465		6,479,128	
CREDITORS					
Amounts falling due within one year	12	<u>9,146,935</u>		<u>7,694,007</u>	
NET CURRENT LIABILITIES			<u>(704,470)</u>		<u>(1,214,879)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			290,730		(478,624)
CREDITORS					
Amounts falling due after more than one year	13		<u>58,438</u>		<u>-</u>
			<u><u>£232,292</u></u>		<u><u>£(478,624)</u></u>
CAPITAL AND RESERVES					
Called up share capital	16		2,480,000		1,180,000
Share premium	17		11,248		11,248
Profit and loss account	17		<u>(2,258,956)</u>		<u>(1,669,872)</u>
SHAREHOLDERS' FUNDS	21		<u><u>£232,292</u></u>		<u><u>£(478,624)</u></u>

ON BEHALF OF THE BOARD:



.....
R M Gurden - DIRECTOR

Approved by the Board on 2/5/03

AVL United Kingdom Ltd

**Cash Flow Statement
for the year ended 31 December 2002**

		2002		Restated 2001	
	Notes	£	£	£	£
Net cash outflow from operating activities	1		(2,502,056)		(1,322,251)
Returns on investments and servicing of finance	2		(10,083)		(13,079)
Taxation			(2,837)		-
Capital expenditure	2		<u>(518,632)</u>		<u>(324,917)</u>
			(3,033,608)		(1,660,247)
Financing	2		<u>2,680,819</u>		<u>1,459,178</u>
Decrease in cash in the period			<u>£(352,789)</u>		<u>£(201,069)</u>
<hr/>					
Reconciliation of net cash flow to movement in net funds	3				
Decrease in cash in the period		(352,789)		(201,069)	
Cash outflow from decrease in debt and lease financing		<u>69,534</u>		<u>118,751</u>	
Change in net funds resulting from cash flows			(283,255)		(82,318)
New finance leases			<u>(130,322)</u>		<u>-</u>
Movement in net funds in the period			(413,577)		(82,318)
Net funds at 1 January			<u>404,632</u>		<u>486,950</u>
Net (debt)/funds at 31 December			<u>£(8,945)</u>		<u>£404,632</u>

The notes form part of these financial statements

AVL United Kingdom Ltd

**Notes to the Cash Flow Statement
for the year ended 31 December 2002**

1. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating loss	(816,000)	(472,068)
Depreciation charges	390,376	439,400
(Profit)/Loss on disposal of fixed assets	(367)	21,444
Increase/(Decrease) in stocks	(89,759)	17,104
Increase in debtors	(1,924,879)	(1,954,319)
(Decrease)/Increase in creditors	<u>(61,427)</u>	<u>626,188</u>
Net cash outflow from operating activities	<u>(2,502,056)</u>	<u>(1,322,251)</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2002 £	2001 £
Returns on investments and servicing of finance		
Interest received	5,323	12,332
Interest paid	-	(585)
Interest element of finance lease payments	<u>(15,406)</u>	<u>(24,826)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(10,083)</u>	<u>(13,079)</u>
Capital expenditure		
Purchase of tangible fixed assets	(520,800)	(333,067)
Sale of tangible fixed assets	<u>2,168</u>	<u>8,150</u>
Net cash outflow for capital expenditure	<u>(518,632)</u>	<u>(324,917)</u>
Financing		
Capital element of finance lease payments	(69,534)	(118,751)
Share issue	1,300,000	-
Increase /(decrease) in group borrowings	<u>1,450,353</u>	<u>1,577,929</u>
Net cash inflow from financing	<u>2,680,819</u>	<u>1,459,178</u>

AVL United Kingdom Ltd

**Notes to the Cash Flow Statement
for the year ended 31 December 2002**

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.02 £	Cash flow £	Other non-cash changes £	At 31.12.02 £
Net cash:				
Cash at bank and in hand	<u>445,723</u>	<u>(352,789)</u>		<u>92,934</u>
	<u>445,723</u>	<u>(352,789)</u>		<u>92,934</u>
Debt:				
Finance leases	<u>(41,091)</u>	<u>69,534</u>	<u>(130,322)</u>	<u>(101,879)</u>
	<u>(41,091)</u>	<u>69,534</u>	<u>(130,322)</u>	<u>(101,879)</u>
Total	<u>404,632</u>	<u>(283,255)</u>	<u>(130,322)</u>	<u>(8,945)</u>

4. MAJOR NON-CASH TRANSACTIONS

During the year the company entered into finance lease arrangements in respect of assets with a capital value at inception of the lease of £130,322.

AVL United Kingdom Ltd

Notes to the Financial Statements for the year ended 31 December 2002

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The AVL group have demonstrated they will continue to support the company by subscribing for a further £1.3 million of share capital on 23 December 2002. On this basis the directors consider it appropriate to prepare the accounts on the going concern basis.

Accounting convention

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

Turnover

Turnover represents net invoiced sales of goods and services, excluding value added tax. Amounts invoiced on short term contracts which are not sufficiently complete at the year end to recognise turnover and profit thereon are shown as payments on account within creditors: amounts falling due within one year. Amounts yet to be invoiced on short term contracts which are sufficiently complete at the year end to recognise turnover and profit thereon are shown in prepayments and accrued income within debtors. Annual maintenance contracts are treated as short term contracts.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Leasehold property improvements	- 10% on cost
Plant and machinery	- 25% on cost
Office & computer equipment	- 25% on cost and 10% on cost

Stocks

Stock and work in progress are valued at lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. This allowance is based on the age and nature of the stock. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads. Stocks of spare parts relating to products no longer supported are not valued.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Deferred tax assets are recognised where, in the opinion of the directors, it is more likely than not that sufficient taxable profits will be made available in the future to facilitate their release.

Discounting of provisions for deferred tax or deferred tax assets is not applied.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

AVL United Kingdom Ltd

Notes to the Financial Statements
for the year ended 31 December 2002

1. ACCOUNTING POLICIES - continued

Pensions

The company operates a defined contribution pension scheme. A scheme available to all employees was introduced in 2001. Contributions payable for the year are charged in the profit and loss account.

Warranty provision

A warranty provision is included to cover the labour element of warranty work outstanding at the balance sheet date. Parts to be used during warranty work are rechargeable to the holding company and are not included in the provision.

Format of profit and loss account

The profit and loss account has been presented in the format 1 as prescribed by schedule 4 of the Companies Act 1985. Previously a format 2 presentation was adopted.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

2. TURNOVER

The turnover and loss before taxation are attributable to the principal activities of the company.

Included in turnover are exports to non AVL group companies totalling £3,224 (2001 - £118,490). In addition the company made sales to overseas group companies of £5,274,830 (2001 - £5,673,609).

3. STAFF COSTS

	2002 £	2001 £
Wages and salaries	3,610,225	2,959,412
Social security costs	378,865	312,908
Other pension costs	<u>80,553</u>	<u>47,055</u>
	<u>4,069,643</u>	<u>3,319,375</u>

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

	2002	2001
Sales, service engineering and administration	<u>107</u>	<u>94</u>

AVL United Kingdom Ltd

**Notes to the Financial Statements
for the year ended 31 December 2002**

4. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	2002 £	2001 £
Other operating leases	291,680	169,782
Depreciation - owned assets	333,287	354,702
Depreciation - assets on finance leases	57,089	104,698
(Profit)/Loss on disposal of fixed assets	(367)	21,444
Auditors remuneration	15,000	15,000
Foreign exchange differences	345,006	(138,079)
Motor vehicle leasing	191,972	170,258
Hire of plant and machinery	<u>21,326</u>	<u>13,068</u>
 Directors' emoluments	 92,555	 85,808
Directors' pension contributions to money purchas schemes	<u>7,768</u>	<u>5,330</u>

5. EXCEPTIONAL ITEMS

Included within administrative expenses are exceptional foreign exchange rate losses of £345,006 (2001: £138,079 profit).

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Interest due on overdue taxation	-	585
Interest payable on finance lease	<u>15,406</u>	<u>24,826</u>
	<u>15,406</u>	<u>25,411</u>

7. TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss on ordinary activities for the year was as follows:

	2002 £	2001 £
Current tax:		
UK corporation tax	-	2,836
(Under) / over provision in earlier years	<u>1</u>	<u>-</u>
Total current tax	<u>1</u>	<u>2,836</u>
 Deferred tax:		
Deferred taxation	(237,000)	7,048
Tax on loss on ordinary activities	<u>(236,999)</u>	<u>9,884</u>

UK corporation tax was charged at 30% in 2001.

AVL United Kingdom Ltd

Notes to the Financial Statements for the year ended 31 December 2002

7. TAXATION - continued

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2002 £	2001 £
Loss on ordinary activities before tax	<u>(826,083)</u>	<u>(485,147)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 - 30%)	(247,825)	(145,544)
Effects of:		
Expenses not deductible for tax purposes	10,825	8,047
Depreciation for the period in excess of capital allowances	10,000	17,891
Lower rate of tax on chargeable investment income for the year	-	(864)
Creation of deferred tax asset - tax losses	227,000	-
Tax losses on which no deferred tax recognised	-	123,306
Adjustments to tax charge in respect of previous periods	<u>1</u>	<u>-</u>
Current tax charge	<u>1</u>	<u>2,836</u>

Factors that may affect future tax charges

Based on future capital investment plans, the company expects to be able to claim capital allowances in excess of depreciation in future years.

The company has tax losses in the region of £2,700,000 available to offset future trading profits. The company expects that sufficient suitable taxable profits will be available in future years to utilise these losses.

The deferred tax asset of £690,000 included in Debtors: Amounts falling due after more than one year relates to these timing differences and tax losses.

8. PRIOR YEAR ADJUSTMENT

The AVL group have adopted new accounting policies in the year which conform with US GAAP. In order to conform with these group policies a prior year adjustment has been made which reduces net assets at 31 December 2000 by £731,497 and at 31 December 2001 by £1,334,494. The effect of these adjustments is to restate the results for the year ended 31 December 2001 from £107,966 profit to £495,031 loss.

The policies which have changed relate to the timing of the recognition of profit on certain contracts, the inclusion of a warranty provision and the inclusion of an allowance for obsolete and slow moving stock based on the age and nature of the stock. If these policies had not been changed the net asset position at 31 December 2002 would have been £637,007 and the loss for the year would have been £1,518,863.

AVL United Kingdom Ltd

Notes to the Financial Statements
for the year ended 31 December 2002

9. TANGIBLE FIXED ASSETS

	Leasehold property improvements £	Plant and machinery £	Office & computer equipment £	Totals £
COST:				
At 1 January 2002	-	235,135	1,857,462	2,092,597
Additions	189,631	75,970	385,521	651,122
Disposals	<u>-</u>	<u>(16,711)</u>	<u>(443,027)</u>	<u>(459,738)</u>
At 31 December 2002	<u>189,631</u>	<u>294,394</u>	<u>1,799,956</u>	<u>2,283,981</u>
DEPRECIATION:				
At 1 January 2002	-	177,118	1,159,224	1,336,342
Charge for year	13,888	38,068	338,420	390,376
Eliminated on disposal	<u>-</u>	<u>(16,711)</u>	<u>(421,226)</u>	<u>(437,937)</u>
At 31 December 2002	<u>13,888</u>	<u>198,475</u>	<u>1,076,418</u>	<u>1,288,781</u>
NET BOOK VALUE:				
At 31 December 2002	<u>175,743</u>	<u>95,919</u>	<u>723,538</u>	<u>995,200</u>
At 31 December 2001	<u>-</u>	<u>58,017</u>	<u>698,238</u>	<u>756,255</u>

Fixed assets, included in the above, which are held under finance leases are as follows:

	Office & computer equipment £
COST:	
At 1 January 2002	279,924
Additions	130,322
Disposals	<u>(279,924)</u>
At 31 December 2002	<u>130,322</u>
DEPRECIATION:	
At 1 January 2002	238,833
Charge for year	57,089
Eliminated on disposal	<u>(279,924)</u>
At 31 December 2002	<u>15,998</u>
NET BOOK VALUE:	
At 31 December 2002	<u>114,324</u>
At 31 December 2001	<u>41,091</u>

AVL United Kingdom Ltd

**Notes to the Financial Statements
for the year ended 31 December 2002**

10. STOCKS

	2002	2001
	£	£
Stocks	855,314	648,088
Work-in-progress	<u>47,161</u>	<u>164,628</u>
	<u>902,475</u>	<u>812,716</u>

The replacement value of stock is in the region of £1,300,000.

11. DEBTORS

	2002	2001
	£	£
Amounts falling due within one year:		
Trade debtors	5,254,290	3,951,209
Other debtors	310,643	222,839
Amounts due from group companies	66,162	1,674
Amounts due from holding company	1,000	1,000
Prepayments and accrued income	<u>1,124,961</u>	<u>590,967</u>
	<u>6,757,056</u>	<u>4,767,689</u>

Amounts falling due after more than one year:

Deferred tax asset	<u>690,000</u>	<u>453,000</u>
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Aggregate amounts	<u>7,447,056</u>	<u>5,220,689</u>
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12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Finance leases (see note 14)	43,441	41,091
Trade creditors	409,090	499,106
Taxation	-	2,836
Social security and other taxes	117,755	103,332
VAT	655,396	588,033
Other creditors	16,042	11,621
Amounts due to group companies	6,458,547	4,943,706
Deferred income	60,497	628,602
Payments on account	991,012	259,113
Warranty provision	113,650	113,650
Accruals	<u>281,505</u>	<u>502,917</u>
	<u>9,146,935</u>	<u>7,694,007</u>

The company does not have any overdraft facilities with its bankers. The company maintains sufficient working capital as a result of the amounts owed to group companies. The company expects that this support will be maintained.

AVL United Kingdom Ltd

Notes to the Financial Statements
for the year ended 31 December 2002

13. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2002 £	2001 £
Finance leases (see note 14)	<u>58,438</u>	<u>-</u>

14. **OBLIGATIONS UNDER LEASING AGREEMENTS**

	2002 £	2001 £
Gross obligations repayable:		
Within one year	53,645	49,160
Between one and five years	<u>72,129</u>	<u>-</u>
	<u>125,774</u>	<u>49,160</u>
Finance charges repayable:		
Within one year	10,204	8,069
Between one and five years	<u>13,691</u>	<u>-</u>
	<u>23,895</u>	<u>8,069</u>
Net obligations repayable:		
Within one year	43,441	41,091
Between one and five years	<u>58,438</u>	<u>-</u>
	<u>101,879</u>	<u>41,091</u>

The following payments are committed to be paid within one year:

	Operating leases			
	Land and buildings		Other	
	2002 £	2001 £	2002 £	2001 £
Expiring:				
Within one year	20,833	37,812	9,875	7,259
Between one and five years	44,060	67,228	139,955	44,765
In more than five years	<u>265,676</u>	<u>195,693</u>	<u>-</u>	<u>-</u>
	<u>330,569</u>	<u>300,733</u>	<u>149,830</u>	<u>52,024</u>

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15. SECURED DEBTS

The following secured debts are included within creditors:

	2002 £	2001 £
Finance leases	<u>101,879</u>	<u>41,091</u>

The amounts due on finance leases are secured on the financed assets.

16. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value: £1	2002 £	2001 £
3,300,000 (2001 - 2,000,000)	Ordinary		<u>3,300,000</u>	<u>2,000,000</u>

Allotted, issued and fully paid:

Number:	Class:	Nominal value: £1	2002 £	2001 £
2,480,000 (2001 - 1,180,000)	Ordinary		<u>2,480,000</u>	<u>1,180,000</u>

The following shares were allotted and fully paid for cash at par during the year:

1,300,000 Ordinary shares of £1 each

17. RESERVES

	Profit and loss account £	Share premium £	Totals £
At 1 January 2002	(335,378)	11,248	(324,130)
Prior year adjustment	<u>(1,334,494)</u>	<u>-</u>	<u>(1,334,494)</u>
Loss for the year	<u>(1,669,872)</u> <u>(589,084)</u>	<u>11,248</u> <u>-</u>	<u>(1,658,624)</u> <u>(589,084)</u>
At 31 December 2002	<u>(2,258,956)</u>	<u>11,248</u>	<u>(2,247,708)</u>

18. ULTIMATE PARENT COMPANY

The share capital is owned by AVL UK Holdings Limited, a company registered in England and Wales. The ultimate holding company is AVL Holding GmbH, a company registered in Austria.

AVL United Kingdom Ltd

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19. CONTINGENT LIABILITIES

The company has entered into a guarantee dated 27 July 1984 to HM Customs & Excise to the value of £20,000 with recourse.

20. RELATED PARTY DISCLOSURES

No related party disclosures are given in respect of transactions with group companies as the company is included in the consolidated accounts of AVL Holding GmbH. There are no related parties other than group companies.

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Loss for the financial year	(589,084)	(495,031)
Issue of share capital	<u>1,300,000</u>	<u>-</u>
Net addition/(reduction) to shareholders' funds	710,916	(495,031)
Opening shareholders' funds (originally £855,870 before prior year adjustment of £(1,334,494))	<u>(478,624)</u>	<u>16,407</u>
Closing shareholders' funds	<u><u>232,292</u></u>	<u><u>(478,624)</u></u>
Equity interests	<u><u>232,292</u></u>	<u><u>(478,624)</u></u>