Report of the Directors and

Financial Statements

for the year ended 31 December 2012

for

AVL United Kingdom Ltd

AVL United Kingdom Ltd (Registered number: 01067795)

Contents of the Financial Statements for the year ended 31 December 2012

AVL United Kingdom Ltd

Company Information
for the year ended 31 December 2012

DIRECTORS:	H O List A Ciniello
SECRETARY:	S M Sweeney
REGISTERED OFFICE:	Avon House Hartlebury Trading Estate Hartlebury Worcestershire DY10 4JB
REGISTERED NUMBER:	01067795 (England and Wales)
SENIOR STATUTORY AUDITOR:	Darren Walley FCCA
AUDITORS:	Banks Sheridan Datum House Electra Way Crewe Cheshire CW1 6ZF
BANKERS:	NatWest Northwich Branch The Bull Ring Northwich CHESHIRE CW9 5BN

AVL United Kingdom Ltd (Registered number: 01067795)

Report of the Directors
for the year ended 31 December 2012

The directors present their report with the financial statements of the company for the year ended 31 December 2012

PRINCIPAL ACTIVITIES
The principal activities of the company in the year under review were those of design, supply, commissioning and service support of engine test facilities using AVL specialist instrumentation

REVIEW OF BUSINESS
In the year turnover has increased by 7 6% to £16 5 million and gross profit has increased from £2 16 million to £3 19 million

The gross profit margin has increased from 14 1% to 19 4% This is mainly due to an increase in the 'added value' projects being undertaken for customers, on which better margins are achieved Administrative expenses on continuing operations have increased to 14 4% of turnover, this increase was planned and puts the company in a strong position to take advantage of future growth opportunities

The net profit for the year of £818,511 is 24% higher than in 2011

Other Key Performance Indicators used by the directors to monitor the business are not disclosed here as they are considered to be commercially sensitive

The company only trades with recognised, creditworthy third parties In addition, receivable balances are monitored on an ongoing basis to ensure the company's exposure to bad debts is not significant

In order to minimise the company's exposure to the volatility in exchange rate fluctuations, the management of the ultimate holding company regularly enter into forward exchange contracts on behalf of AVL United Kingdom Limited

AVL United Kingdom Limited has had a positive cash flow during the year which has enabled the company to reduce amounts due to group companies

The company has a healthy order book and cash position going into 2013 and is currently discussing with potential customers their plans for 2013 and beyond In this respect potential cut backs in Research and Development and capital expenditure within the United Kingdom motor industry, as a result of the current economic climate, is viewed as a key risk to the company The company is addressing this risk by working closer with customers on added value efficiency projects which involve upgrading existing AVL equipment These projects, pioneered by AVL United Kingdom Ltd, have been recognised globally by the AVL Group and international customers

Generally the company also benefits and is at risk from AVL group's relationship with its global customers

DIVIDENDS
No dividends will be distributed for the year ended 31 December 2012

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2012 to the date of this report

H O List
A Ciriello

Report of the Directors
for the year ended 31 December 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

The auditors, Banks Sheridan, will be proposed for re-appointment at the forthcoming Annual General Meeting

ON BEHALF OF THE BOARD:

S M Sweeney - Secretary

Date 25-2-13

Report of the Independent Auditors to the Members of
AVL United Kingdom Ltd

We have audited the financial statements of AVL United Kingdom Ltd for the year ended 31 December 2012 on pages five to fifteen The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 a Report of the Auditors 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 explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Darren Walley

Darren Walley FCCA (Senior Statutory Auditor)
for and on behalf of Banks Sheridan
Datum House
Electra Way
Crewe
Cheshire
CW1 6ZF

Date 28-3-13

AVL United Kingdom Ltd (Registered number. 01067795)

Profit and Loss Account
for the year ended 31 December 2012

	Notes	2012 £	2011 £
TURNOVER	2	16,459,314	15,297,276
Cost of sales		13,267,158	13,133,702
GROSS PROFIT		3,192,156	2,163,574
Administrative expenses		2,375,114	1,505,582
OPERATING PROFIT	4	817,042	657,992
Interest receivable and similar income		1,469	391
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		818,511	658,383
Tax on profit on ordinary activities	5	79	(5,004)
PROFIT FOR THE FINANCIAL YEAR		818,432	663,387

CONTINUING OPERATIONS
None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES
The company has no recognised gains or losses other than the profits for the current year or previous year

The notes form part of these financial statements

AVL United Kingdom Ltd (Registered number: 01067795)

Balance Sheet
31 December 2012

	Notes	2012 £	2012 £	2011 £	2011 £
FIXED ASSETS					
Tangible assets	6		322,169		352,381
CURRENT ASSETS					
Stocks	7	157,218		367,521	
Debtors amounts falling due within one year	8	6,756,843		9,143,770	
Debtors amounts falling due after more than one year	8	600,000		600,000	
Cash at bank and in hand		36,183		107,264	
		7,550,244		10,218,555	
CREDITORS					
Amounts falling due within one year	9	4,493,618		7,985,137	
NET CURRENT ASSETS			3,056,626		2,233,418
TOTAL ASSETS LESS CURRENT LIABILITIES			3,378,795		2,585,799
PROVISIONS FOR LIABILITIES	11		445,268		470,704
NET ASSETS			2,933,527		2,115,095
CAPITAL AND RESERVES					
Called up share capital	12		6,680,000		6,680,000
Share premium	13		11,248		11,248
Profit and loss account	13		(3,757,721)		(4,576,153)
SHAREHOLDERS' FUNDS	17		2,933,527		2,115,095

The financial statements were approved by the Board of Directors on 25-3-13 and were signed on its behalf by

A Ciriello - Director

Cash Flow Statement
for the year ended 31 December 2012

	Notes	2012 £	2011 £
Net cash inflow/(outflow) from operating activities	1	1,150,231	(1,922,689)
Returns on investments and servicing of finance	2	1,469	(5,984)
Taxation	2	(79)	51,287
Capital expenditure	2	(89,987)	(76,461)
		1,061,634	(1,953,847)
Financing	2	(1,132,715)	2,010,041
(Decrease)/increase in cash in the period		(71,081)	56,194

	Notes	2012 £	2011 £
Reconciliation of net cash flow to movement in net funds	3		
(Decrease)/increase in cash in the period		(71,081)	56,194
Change in net funds resulting from cash flows		(71,081)	56,194
Movement in net funds in the period		(71,081)	56,194
Net funds at 1 January		107,264	51,070
Net funds at 31 December		36,183	107,264

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the year ended 31 December 2012

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2012	2011
	£	£
Operating profit	817,042	657,992
Depreciation charges	120,199	104,359
Profit on disposal of fixed assets	-	(514)
(Decrease)/Increase in provisions	(25,436)	(15,753)
Decrease in stocks	210,303	834,544
Decrease/(increase) in debtors	2,078,629	(4,459,979)
(Decrease)/increase in creditors	(2,050,506)	956,662
Net cash inflow/(outflow) from operating activities	1,150,231	(1,922,689)

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

	2012	2011
	£	£
Returns on investments and servicing of finance		
Interest received	1,469	391
Interest paid	-	(6,375)
Net cash inflow/(outflow) for returns on investments and servicing of finance	1,469	(5,984)
Taxation		
Taxation paid	(79)	-
Received for group relief of tax losses	-	51,287
Net cash (outflow)/inflow for taxation	(79)	51,287
Capital expenditure		
Purchase of tangible fixed assets	(89,987)	(86,461)
Sale of tangible fixed assets	-	10,000
Net cash outflow for capital expenditure	(89,987)	(76,461)
Financing		
Increase/(Decrease) in group borrowings	(1,132,715)	2,010,041
Net cash (outflow)/inflow from financing	(1,132,715)	2,010,041

Notes to the Cash Flow Statement
for the year ended 31 December 2012

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 1 12	Cash flow	At 31 12 12
	£	£	£
Net cash			
Cash at bank and in hand	107,264	(71,081)	36,183
	107,264	(71,081)	36,183
Total	107,264	(71,081)	36,183

The notes form part of these financial statements

1 **ACCOUNTING POLICIES**

Basis of preparing the financial statements
After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, the directors continues to adopt the going concern basis in preparing the annual report and accounts

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

Turnover
Turnover represents net invoiced sales of goods, excluding value added tax

The recognition of project income is explained below

Income on annual maintenance contracts is recognised on the performance of services for customers A provision for losses on annual maintenance contracts is made as soon as a loss is foreseen

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Plant and machinery	- at varying rates on cost
Office and computer equipment	- at varying rates on cost
Motor vehicles	- 25% 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 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 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
Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

Pension costs and other post-retirement benefits
The company operates a defined contribution pension scheme 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

continued

1 **ACCOUNTING POLICIES - continued**

Dilapidation costs
A provision is made to cover the expected costs of making good property dilapidation where such work is required by the terms of the lease agreement

Projects
The amount of profit attributable to the stage of completion of projects is recognised when the outcome of the project can be foreseen with reasonable certainty Turnover for such projects 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

Project 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 profit before taxation are attributable to the principal activities of the company

During the year the company made sales to overseas companies of £650,901 (2011 - £484,219)

3 **STAFF COSTS**

	2012	2011
	£	£
Wages and salaries	2,860,533	2,470,821
Social security costs	358,968	263,244
Other pension costs	132,975	39,282
	3,352,476	2,773,347

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

	2012	2011
Directors	2	2
Sales, service and administration	59	52
	61	54

4 **OPERATING PROFIT**

The operating profit is stated after charging/(crediting)

	2012	2011
	£	£
Other operating leases	108,242	100,313
Depreciation - owned assets	120,199	104,359
Profit on disposal of fixed assets	-	(514)
Auditors' remuneration	25,750	20,000
Foreign exchange differences	132,956	(153,382)
Motor vehicle leasing	130,160	109,164
Fees payable to the company's auditor for other services	14,905	9,400

Directors' remuneration	185,526	193,702
Directors' pension contributions to money purchase schemes	89,356	-

continued

4 OPERATING PROFIT - continued

The number of directors to whom retirement benefits were accruing was as follows

Money purchase schemes	1	-

5 TAXATION

Analysis of the tax charge/(credit)
The tax charge/(credit) on the profit on ordinary activities for the year was as follows

	2012 £	2011 £
Current tax		
Adjustment relating to prior years	79	(26,004)
Deferred tax	-	21,000
Tax on profit on ordinary activities	79	(5,004)

Factors affecting the tax charge/(credit)
The tax assessed for the year is lower than the standard rate of corporation tax in the UK The difference is explained below

	2012 £	2011 £
Profit on ordinary activities before tax	818,511	658,383
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24 500% (2011 - 26 500%)	200,535	174,471
Effects of		
Expenses not deductible for tax purposes	6,808	2,513
Capital allowances in excess of depreciation	(67,598)	-
Depreciation in excess of capital allowances	-	27,519
Utilisation of tax losses	(132,035)	(204,503)
Adjustments to tax charge in respect of previous periods	79	(26,004)
Interest received subject to lower rates of tax	(360)	-
Other short term timing differences	(7,350)	-
Current tax charge/(credit)	79	(26,004)

Factors that may affect future tax charges
The company has tax losses in the region of £1,625,000 available to offset future trading profits The company expects that sufficient suitable taxable profits will be available in the foreseeable future to utilise these losses

The deferred tax asset consists of the tax effect of the following timing differences

	2012 £	2011 £
Losses available to offset against future profits	374,000	405,260
Excess of depreciation over taxation allowances on fixed assets	226,000	194,740
	600,000	600,000

continued

6 TANGIBLE FIXED ASSETS

	Plant and machinery £	Office and computer equipment £	Motor vehicles £	Totals £
COST				
At 1 January 2012	733,405	931,362	18,046	1,682,813
Additions	46,307	43,680	-	89,987
At 31 December 2012	779,712	975,042	18,046	1,772,800
DEPRECIATION				
At 1 January 2012	713,145	614,493	2,794	1,330,432
Charge for year	13,551	102,137	4,511	120,199
At 31 December 2012	726,696	716,630	7,305	1,450,631
NET BOOK VALUE				
At 31 December 2012	53,016	258,412	10,741	322,169
At 31 December 2011	20,260	316,869	15,252	352,381

7 STOCKS

	2012 £	2011 £
Stocks	43,196	162,201
Project work-in-progress	114,022	205,320
	157,218	367,521

The replacement value of stocks excluding work-in-progress is in the region of £320,000 (2011 £360,000)

8 DEBTORS

	2012 £	2011 £
Amounts falling due within one year		
Trade debtors	5,909,813	7,969,908
Amounts recoverable on projects	481,479	588,099
Other debtors	69,310	12,260
Amounts due from group companies	214,622	522,920
Amounts due from holding company	1,000	1,000
Prepayments and accrued income	80,619	49,583
	6,756,843	9,143,770
Amounts falling due after more than one year		
Deferred tax asset	600,000	600,000
Aggregate amounts	7,356,843	9,743,770

continued

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£	£
Trade creditors	103,612	409,526
Social security and other taxes	122,347	89,466
VAT	606,333	1,376,082
Other creditors	163,969	163,969
Amounts due to group companies	1,269,477	2,710,490
Payments on account	1,903,706	2,922,589
Accruals	324,174	313,015
	4,493,618	7,985,137

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

10 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	Land and buildings		Other operating leases	
	2012	2011	2012	2011
	£	£	£	£
Expiring				
Within one year	57,677	5,355	26,262	109,970
Between one and five years	23,000	99,950	98,230	93,382
	80,677	105,305	124,492	203,352

11 PROVISIONS FOR LIABILITIES

	2012	2011
	£	£
Other provisions		
Warranty provision	301,000	364,000
Provision for foreseeable losses	64,268	46,704
Provision for dilapidations	80,000	60,000
	445,268	470,704

	Other provisions
	£
Balance at 1 January 2012	470,704
Utilised in the year	(266,630)
New provision in the year	241,194
Balance at 31 December 2012	445,268

continued

11 PROVISIONS FOR LIABILITIES - continued

The warranty and foreseeable loss provisions are made in accordance with the company's accounting policies disclosed in note 1 The majority of the warranty provision and all the loss provision is expected to be utilised in the next financial year

A provision of £80,000 (2011 £60,000) has been recognised for the future cost of making good dilapidations on leasehold properties This expenditure is expected to be incurred when the leases expire in 2013

12 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid

Number	Class	Nominal value	2012 £	2011 £
6,680,000	Ordinary	£1	6,680,000	6,680,000

13 RESERVES

	Profit and loss account £	Share premium £	Totals £
At 1 January 2012	(4,576,153)	11,248	(4,564,905)
Profit for the year	818,432		818,432
At 31 December 2012	(3,757,721)	11,248	(3,746,473)

14 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 List GmbH, a company registered in Austria

15 CAPITAL COMMITMENTS

	2012 £	2011 £
Contracted but not provided for in the financial statements	7,822	-

16 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 List GmbH There are no related parties other than group companies

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Profit for the financial year	818,432	663,387
Net addition to shareholders' funds	818,432	663,387
Opening shareholders' funds	2,115,095	1,451,708
Closing shareholders' funds	2,933,527	2,115,095