

**Report of the Directors and
Financial Statements
for the year ended 31 December 2003
for
AVL United Kingdom Ltd**

1067795



AVL United Kingdom Ltd

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for the year ended 31 December 2003**

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AVL United Kingdom Ltd
Company Information
for the year ended 31 December 2003

DIRECTORS:	H O List A J Martyr A Ciriello
SECRETARY:	S M Sweeney
REGISTERED OFFICE:	Avon House Hartlebury Trading Estate Nr Kidderminster Worcestershire DY10 4JB
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 2003

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

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of providing support for the market in the UK for special test instrumentation made by AVL Graz (Austria) and providing expertise to AVL customers with regard to powertrain engineering consultancy.

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 company have restructured the management team and moved the test systems and instrumentation division from Northwich to Hartlebury.

The costs associated with this fundamental reorganisation are separately disclosed on the face of the profit and loss account.

The holding company subscribed for a further £4.2 million ordinary share capital during the year to cover the losses made in the year.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2003.

DIRECTORS

The directors during the year under review were:

H O List

R M Gurden

A J Martyr

A Ciriello

- resigned 18.12.03

- appointed 18.12.03

- appointed 18.12.03

The directors holding office at 31 December 2003 did not hold any beneficial interest in the issued share capital of the company at 1 January 2003 (or date of appointment if later) or 31 December 2003.

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.

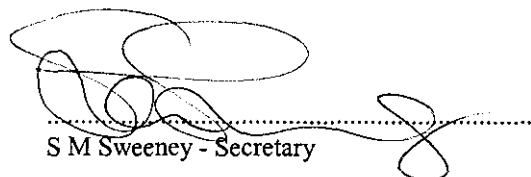
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AVL United Kingdom Ltd
Report of the Directors
for the year ended 31 December 2003

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:


.....
S M Sweeney - Secretary

Date: 14-6-04

**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 2003 on pages five to nineteen. 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 2003 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

Date: *16 June 2004*

AVL United Kingdom Ltd
Profit and Loss Account
for the year ended 31 December 2003

	Notes	2003 £	2002 £
TURNOVER	2	10,059,975	13,444,429
Cost of sales		9,941,762	7,429,540
GROSS PROFIT		118,213	6,014,889
Distribution costs		33,133	49,272
Administrative expenses		2,662,029	6,781,617
		2,695,162	6,830,889
		(2,576,949)	(816,000)
Other operating income		4,451	-
OPERATING LOSS	4	(2,572,498)	(816,000)
Cost of fundamental reorganisation	5	1,051,005	-
		(3,623,503)	(816,000)
Interest receivable and similar income		7,540	5,323
		(3,615,963)	(810,677)
Interest payable and similar charges	6	11,363	15,406
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,627,326)	(826,083)
Tax on loss on ordinary activities	7	-	(236,999)
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		(3,627,326)	(589,084)
DEFICIT FOR THE YEAR		(3,627,326)	(589,084)

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 2003

	2003 £	2002 £
LOSS FOR THE FINANCIAL YEAR	(3,627,326)	(589,084)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>(3,627,326)</u>	<u>(589,084)</u>
Prior year adjustment		<u>(1,334,494)</u>
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		<u>(1,923,578)</u>

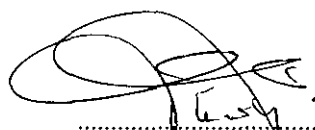
The notes form part of these financial statements

AVL United Kingdom Ltd

Balance Sheet
31 December 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Tangible assets	8	643,968	995,200
CURRENT ASSETS			
Stocks	9	525,145	902,475
Debtors: amounts falling due within one year	10	4,248,369	6,757,056
Debtors: amounts falling due after more than one year	10	690,000	690,000
Cash at bank and in hand		846,614	92,934
		<u>6,310,128</u>	<u>8,442,465</u>
CREDITORS			
Amounts falling due within one year	11	<u>5,360,312</u>	<u>9,146,935</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>949,816</u>	<u>(704,470)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,593,784	290,730
CREDITORS			
Amounts falling due after more than one year	12	(32,494)	(58,438)
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(756,324)</u>	<u>-</u>
		<u>804,966</u>	<u>232,292</u>
CAPITAL AND RESERVES			
Called up share capital	16	6,680,000	2,480,000
Share premium	17	11,248	11,248
Profit and loss account	17	(5,886,282)	(2,258,956)
SHAREHOLDERS' FUNDS	21	<u>804,966</u>	<u>232,292</u>

ON BEHALF OF THE BOARD:



A J Martyr - Director

Approved by the Board on 14-6-04

The notes form part of these financial statements

AVL United Kingdom Ltd

Cash Flow Statement
for the year ended 31 December 2003

	Notes	2003 £	2002 £
Net cash inflow/(outflow) from operating activities	1	79,479	(2,502,056)
Returns on investments and servicing of finance	2	(3,823)	(10,083)
Taxation		-	(2,837)
Capital expenditure	2	(193,420)	(518,632)
		<u>(117,764)</u>	<u>(3,033,608)</u>
Financing	2	871,444	2,680,819
Increase/(Decrease) in cash in the period		<u>753,680</u>	<u>(352,789)</u>
<hr/>			
Reconciliation of net cash flow to movement in net debt	3		
Increase/(Decrease) in cash in the period		753,680	(352,789)
Cash outflow from decrease in debt and lease financing		<u>55,940</u>	<u>69,534</u>
Change in net debt resulting from cash flows		809,620	(283,255)
New finance leases		<u>(44,993)</u>	<u>(130,322)</u>
Movement in net debt in the period		764,627	(413,577)
Net (debt)/funds at 1 January		<u>(8,945)</u>	<u>404,632</u>
Net funds/(debt) at 31 December		<u>755,682</u>	<u>(8,945)</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 2003

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

	2003 £	2002 £
Operating loss	(2,572,498)	(816,000)
Depreciation charges	532,017	390,376
Loss/(Profit) on disposal of fixed assets	57,628	(367)
Costs of fundamental reorganisation	(1,051,005)	-
Decrease/(Increase) in stocks	377,330	(89,759)
Decrease/(Increase) in debtors	2,984,960	(1,924,879)
Decrease in creditors	(248,953)	(61,427)
Net cash inflow/(outflow) from operating activities	79,479	(2,502,056)

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

	2003 £	2002 £
Returns on investments and servicing of finance		
Interest received	7,540	5,323
Interest element of finance lease payments	(11,363)	(15,406)
Net cash outflow for returns on investments and servicing of finance	(3,823)	(10,083)
Capital expenditure		
Purchase of tangible fixed assets	(201,021)	(520,800)
Sale of tangible fixed assets	7,601	2,168
Net cash outflow for capital expenditure	(193,420)	(518,632)
Financing		
Capital element of finance lease payment	(55,940)	(69,534)
Share issue	4,200,000	1,300,000
Increase /(decrease) in group borrowings	(3,272,616)	1,450,353
Net cash inflow from financing	871,444	2,680,819

AVL United Kingdom Ltd

Notes to the Cash Flow Statement
for the year ended 31 December 2003

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.03 £	Cash flow £	Other non-cash changes £	At 31.12.03 £
Net cash:				
Cash at bank and in hand	92,934	753,680		846,614
	<u>92,934</u>	<u>753,680</u>		<u>846,614</u>
Debt:				
Finance leases	(101,879)	55,940	(44,993)	(90,932)
	<u>(101,879)</u>	<u>55,940</u>	<u>(44,993)</u>	<u>(90,932)</u>
Total	<u>(8,945)</u>	<u>809,620</u>	<u>(44,993)</u>	<u>755,682</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 £44,993.

**Notes to the Financial Statements
for the year ended 31 December 2003**

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 £4.2 million of share capital on 23 December 2003. 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 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.

Notes to the Financial Statements - continued
for the year ended 31 December 2003

1. ACCOUNTING POLICIES - continued

Pensions

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.

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 £41,873 (2002 - £3,224). In addition the company made sales to overseas group companies of £4,922,321 (2002 - £5,274,830).

3. STAFF COSTS

	2003	2002
	£	£
Wages and salaries	4,141,912	3,610,225
Social security costs	474,182	378,865
Other pension costs	87,491	80,553
	<u>4,703,585</u>	<u>4,069,643</u>

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

	2003	2002
Sales, service and administration	<u>103</u>	<u>107</u>

In addition to the costs detailed above exceptional redundancy and similar costs amounting to £534,345 are included in the cost of the fundamental reorganisation.

AVL United Kingdom Ltd

Notes to the Financial Statements - continued
for the year ended 31 December 2003

4. OPERATING LOSS

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

	2003	2002
	£	£
Other operating leases	424,295	291,680
Depreciation - owned assets	282,828	333,287
Depreciation - assets on finance leases	57,189	57,089
Loss/(Profit) on disposal of fixed assets	57,628	(367)
Auditors remuneration	18,000	15,000
Foreign exchange differences	481,912	345,006
Motor vehicle leasing	181,103	191,972
Hire of plant and machinery	14,243	21,326
	<u> </u>	<u> </u>
Directors' emoluments	95,407	92,555
Directors' pension contributions to money purchase schemes	6,331	7,768
	<u> </u>	<u> </u>

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

Money purchase schemes	<u>1</u>	<u>1</u>
------------------------	----------	----------

In addition to the above a compromise payment to a former director of £60,000 is included in the cost of the fundamental reorganisation.

In addition to the depreciation shown above a diminution in value charge of £192,000 is included in the cost of the fundamental reorganisation.

5. EXCEPTIONAL ITEMS

The cost of a fundamental reorganisation in 2003 amounting to £1,051,005 are shown on the face of the profit and loss account. This includes a provision of £517,695 in respect of costs outstanding at the year end.

In addition included within administrative expenses are exceptional foreign exchange rate losses of £481,912 (2002: £345,006).

As explained in note 7 the exceptional items have no effect on the tax charge for the year.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£	£
Interest payable on finance leases	11,363	15,406
	<u> </u>	<u> </u>
	11,363	15,406
	<u> </u>	<u> </u>

AVL United Kingdom Ltd

Notes to the Financial Statements - continued
for the year ended 31 December 2003

7. TAXATION

Analysis of the tax credit

The tax credit on the loss on ordinary activities for the year was as follows:

	2003 £	2002 £
Current tax:		
(Under) / over provision in earlier years	-	1
Deferred taxation	-	(237,000)
Tax on loss on ordinary activities	-	(236,999)

Factors affecting the tax credit

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

	2003 £	2002 £
Loss on ordinary activities before tax	(3,627,326)	(826,083)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002 - 30%)	(1,088,198)	(247,825)
Effects of:		
Expenses not deductible for tax purposes	10,850	10,825
Depreciation for the period in excess of capital allowances	143,156	10,000
Tax losses - Creation of deferred tax asset	-	227,000
Tax losses - Deferred tax asset not recognised	934,192	-
Adjustments to tax charge in respect of previous periods	-	1
Current tax credit	-	1

Factors that may affect future tax charges

The company has tax losses in the region of £5,000,000 available to offset future trading profits. The company expects that sufficient suitable taxable profits will be available in the foreseeable future to utilise approximately £2,300,000 of 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.

AVL United Kingdom Ltd

Notes to the Financial Statements - continued
for the year ended 31 December 2003

8. TANGIBLE FIXED ASSETS

	Leasehold property improvements £	Plant and machinery £	Office & computer equipment £	Totals £
COST				
At 1 January 2003	189,631	294,394	1,799,956	2,283,981
Additions	31,825	29,449	184,740	246,014
Disposals	-	-	(481,436)	(481,436)
At 31 December 2003	221,456	323,843	1,503,260	2,048,559
DEPRECIATION				
At 1 January 2003	13,888	198,474	1,076,419	1,288,781
Charge for year	21,424	36,764	281,829	340,017
Eliminated on disposal	-	-	(416,207)	(416,207)
Impairments	182,000	-	10,000	192,000
At 31 December 2003	217,312	235,238	952,041	1,404,591
NET BOOK VALUE				
At 31 December 2003	4,144	88,605	551,219	643,968
At 31 December 2002	175,743	95,920	723,537	995,200

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

	Office & computer equipment £
COST	
At 1 January 2003	130,322
Additions	44,993
At 31 December 2003	175,315
DEPRECIATION	
At 1 January 2003	15,998
Charge for year	57,189
At 31 December 2003	73,187
NET BOOK VALUE	
At 31 December 2003	102,128
At 31 December 2002	114,324

AVL United Kingdom Ltd

Notes to the Financial Statements - continued
for the year ended 31 December 2003

9. STOCKS

	2003	2002
	£	£
Stocks	315,105	855,314
Work-in-progress	210,040	47,161
	<u>525,145</u>	<u>902,475</u>

The replacement value of stock is in the region of £1,250,000.

10. DEBTORS

	2003	2002
	£	£
Amounts falling due within one year:		
Trade debtors	2,727,212	5,254,290
Other debtors	175,857	310,643
Amounts due from group companies	542,435	66,162
Amounts due from holding company	1,000	1,000
Prepayments and accrued income	801,865	1,124,961
	<u>4,248,369</u>	<u>6,757,056</u>
Amounts falling due after more than one year:		
Deferred tax asset	<u>690,000</u>	<u>690,000</u>
Aggregate amounts	<u>4,938,369</u>	<u>7,447,056</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£	£
Finance leases (see note 13)	58,438	43,441
Trade creditors	344,984	409,090
Social security and other taxes	156,222	117,755
VAT	287,998	655,396
Other creditors	36,507	16,042
Amounts due to group companies	3,662,204	6,458,547
Payments on account	575,512	1,051,509
Warranty provision	-	113,650
Accruals	238,447	281,505
	<u>5,360,312</u>	<u>9,146,935</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.

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

	2003	2002
	£	£
Finance leases (see note 13)	<u>32,494</u>	<u>58,438</u>

AVL United Kingdom Ltd

Notes to the Financial Statements - continued
for the year ended 31 December 2003

13. OBLIGATIONS UNDER LEASING AGREEMENTS

	Finance leases	
	2003	2002
	£	£
Gross obligations repayable:		
Within one year	72,291	53,645
Between one and five years	40,238	72,129
	<u>112,529</u>	<u>125,774</u>
Finance charges repayable:		
Within one year	13,853	10,204
Between one and five years	7,744	13,691
	<u>21,597</u>	<u>23,895</u>
Net obligations repayable:		
Within one year	58,438	43,441
Between one and five years	32,494	58,438
	<u>90,932</u>	<u>101,879</u>

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

	Operating leases			
	Land and buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Expiring:				
Within one year	51,635	20,833	81,236	9,875
Between one and five years	185,000	44,060	102,834	139,955
In more than five years	84,117	265,676	-	-
	<u>320,752</u>	<u>330,569</u>	<u>184,070</u>	<u>149,830</u>

14. SECURED DEBTS

The following secured debts are included within creditors:

	2003	2002
	£	£
Finance leases	<u>90,932</u>	<u>101,879</u>

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

AVL United Kingdom Ltd

Notes to the Financial Statements - continued
for the year ended 31 December 2003

15. PROVISION FOR LIABILITIES AND CHARGES

	2003 £	2002 £
Other provisions		
Warranty provision	113,650	-
Reorganisation provision	517,695	-
Provision for pending losses	124,979	-
	<u>756,324</u>	<u>-</u>
		Other provisions £
Charge for the year		756,324
Balance at 31 December 2003		<u>756,324</u>

A provision of £517,695 has been recognised for outstanding costs relating to the fundamental reorganisation in the year. These relate mainly to outstanding staff redundancy payments and lease termination costs. It is expected that all this expenditure will be incurred in the next financial year.

The warranty and loss provision 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.

16. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2003 £	2002 £
7,000,000	Ordinary	£1	7,000,000	3,300,000
(2002 - 3,300,000)			<u></u>	<u></u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2003 £	2002 £
6,680,000	Ordinary	£1	6,680,000	2,480,000
(2002 - 2,480,000)			<u></u>	<u></u>

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

4,200,000 Ordinary shares of £1 each

17. RESERVES

	Profit and loss account £	Share premium £	Totals £
At 1 January 2003	(2,258,956)	11,248	(2,247,708)
Deficit for the year	(3,627,326)	-	(3,627,326)
At 31 December 2003	<u>(5,886,282)</u>	<u>11,248</u>	<u>(5,875,034)</u>

AVL United Kingdom Ltd

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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.

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**

	2003 £	2002 £
Loss for the financial year	(3,627,326)	(589,084)
Issue of share capital	4,200,000	1,300,000
Net addition to shareholders' funds	<u>572,674</u>	<u>710,916</u>
Opening shareholders' funds	232,292	(478,624)
Closing shareholders' funds	<u><u>804,966</u></u>	<u><u>232,292</u></u>
Equity interests	<u><u>804,966</u></u>	<u><u>232,292</u></u>