

REGISTRATION NUMBER - 3207774

# LucasVarity

## Annual Report and Financial Statements 2006

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# LucasVarity

## Report of the Directors

The directors present their report and financial statements for the year ended 31 December 2006

### Principal activities and review of business

The company is an unlimited intermediate holding company, and will continue in this capacity for the foreseeable future

On 18 December 2006 the share capital of the company was reduced by cancelling and extinguishing 227,550,164 shares of 25 pence each registered in the name of Automotive Holdings (UK) Limited (219,926,552 shares) and TRW Automotive (LV) Corp (7,623,612 shares), the immediate parent undertaking

### Results and dividends

The loss for the year, after taxation, amounted to £103 (£ nil million) (2005 profit £147.3 million) No dividends were paid or declared in the year (2005 £ nil)

### Directors

The Directors of LucasVarity during the year were as follows

GT Plumley  
PM Almond  
R Lechner  
AR Neogy

### Directors' statement as to disclosure of information to auditors

Each of the directors who were members of the board at the time of approving this directors' report confirm that

- to the best of their knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- they have taken all steps a director might be reasonably be expected to have taken to be aware of the relevant audit information and to establish that the auditors are aware of that information

### Directors' interests

None of the directors had any declarable interests in shares of any group companies in the United Kingdom at 31 December 2006

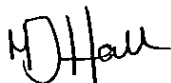
### Directors' indemnities

During the year an indemnity from the company was available to the directors against liabilities incurred by them in defending proceedings against them in relation to the affairs of the company. The indemnity is subject to the provisions of the Companies Act and is set out in the Articles of Association

### Disclosure of exemption from the requirement to appoint auditors

A special resolution under section 386 of the Companies Act 1985 exempting the company from the obligation to appoint auditors was passed at an Extraordinary General meeting held on 25 January 2005

On behalf of the Board



**M J Hall**  
Company Secretary  
25 June 2007

## **LucasVarity**

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Annual Report 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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company and of the profit and 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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.

# Independent Auditors' Report to the Members of LucasVarity

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 9. These 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 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

## Basis of audit opinion

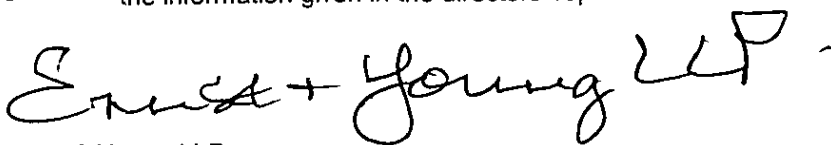
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP  
Registered Auditor  
Birmingham  
25 June 2007

## LucasVarity

### Profit and Loss Account

For the year ended 31 December 2006

	NOTES	2006 £m	2005 £m
<b>Income from investments</b>			
Dividends received from subsidiary undertaking		-	147 3
<b>Retained profit on ordinary activities before and after taxation</b>	3,7	-	147 3

There are no recognised gains and losses other than the result for the current year and profit for the previous years

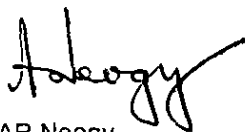
# LucasVarity

## Balance Sheet

At 31 December 2006

		2006	2005
	NOTES	£m	£m
<b>Fixed assets</b>			
Investments	4	1,602 1	1,602 1
		<b>1,602 1</b>	<b>1,602 1</b>
<b>Current liabilities</b>			
<b>Creditors</b> amounts falling due within one year			
Amounts owed to group undertakings	5	(918.6)	(861 7)
<b>Net current liabilities</b>		<b>(918 6)</b>	<b>(861 7)</b>
<b>Net assets</b>		<b>683.5</b>	<b>740 4</b>
<b>Capital and reserves</b>			
Called up share capital	6	18 8	75 7
Other reserve	7	664 7	664 7
<b>Equity shareholders' funds</b>	7	<b>683 5</b>	<b>740 4</b>

Approved by the Board of Directors and signed on its behalf by



AR Neogy  
Director  
25 June 2007

# **LucasVarity**

## **Notes to the Financial Statements**

At 31 December 2006

### **1 Accounting policies**

#### **Accounting convention**

The accounts are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

Consolidated accounts have not been prepared because the company has taken advantage of section 228 of the Companies Act 1985 which exempts the company from the obligation to prepare and deliver group accounts as it is included in the consolidated accounts of TRW Automotive Holdings Corp , a company registered in the USA. These accounts present information about the company and not about its group

#### **Going concern**

The financial statements have been prepared on a going concern basis as the directors have obtained a confirmation from Automotive Holdings (UK) Limited the parent undertaking, that sufficient finance will be available to meet any obligations as they fall due

#### **Fixed asset investments**

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable

#### **Related party transactions**

As the company is a wholly owned subsidiary of TRW Automotive Holdings Corp it has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with other subsidiary undertakings that form part of the TRW Automotive Holdings Corp group, and associated undertakings of TRW Automotive Holdings Corp group

#### **Cash flow statement**

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking TRW Automotive Holdings Corp includes the company in its own published consolidated financial statements

### **2 Information regarding the company, directors, employees and auditors**

The company is an intermediate holding company and had no employees during the year (2005 - nil). The directors did not receive any emoluments in respect of their services to the company (2005 - £ nil). The auditors' remuneration was borne by another group undertaking in the year (2005 - £ nil).



# LucasVarity

## Notes to the Financial Statements (continued)

At 31 December 2006

### 3 Taxation on profit on ordinary activities

There is no tax charge arising on ordinary activities during the year (2005 - £ nil)

#### Tax reconciliation

	2006 £m	2005 £m
Profit on ordinary activities before taxation	-	147.4
Normal tax charge at United Kingdom corporation tax rate 30% (2005 - 30%)	-	44.2
Non-taxable income	-	(44.2)
	-	-

### 4 Investments

	£m
Shares in subsidiary undertakings at cost	
<b>At 1 January 2006 and 31 December 2006</b>	<b>1,602.1</b>
Net book values	
<b>At 31 December 2006</b>	<b>1,602.1</b>
At 1 January 2006	1,602.1

The investment relates to a 100% equity investment in Lucas Industries Limited, an intermediate holding company, incorporated in England & Wales

The company also has a 1 share investment of £1 in Joseph Lucas Limited, a dormant company

The company also has a 1 share investment of €100 in TRW Automotive Finance (Luxembourg) S a r l (a company incorporated in Luxembourg), TRW Automotive Inc a United States intermediate parent undertaking owns the other 1,249 shares in issue TRW Automotive Finance (Luxembourg) S a r l is a group undertaking that provides direct or indirect financing, and/or financial services, in particular granting loans and credits, as well as administrative and marketing assistance ancillary thereto to any of the operating undertakings of the group and any of their subsidiaries

### 5 Creditors amounts falling due within one year

The £918.6 million loan (2005 £861.7 million) owed to the subsidiary undertaking Lucas Industries Limited is interest free

### 6 Share capital

	2006		2005	
Authorised	No	£	No	£
Ordinary shares (25p each)	284,755,736	71,188,934	512,305,900	128,076,475
Allotted, called up and fully paid	No	£	No	£
Ordinary shares (25p each)	75,138,371	18,784,592	302,688,535	75,672,133

On 18 December 2006 the share capital of the company was reduced by cancelling and extinguishing 227,550,164 shares of 25 pence each registered in the name of Automotive Holdings (UK) Limited (219,926,552 shares) and TRW Automotive (LV) Corp (7,623,612), the immediate parent undertaking. The transaction was effected by a drawdown on the loan facility made available by the subsidiary undertaking Lucas Industries Limited

# LucasVarity

## Notes to the Financial Statements (continued)

At 31 December 2006

### 7 Reconciliation of shareholders' funds and movement on reserves

	SHARE CAPITAL £m	OTHER RESERVE £m	TOTAL £m
At 1 January 2005	221 3	517 4	738 7
Arising from the cancellation of shares	(147 4)	-	(147 4)
Arising on the issue of shares	1 7	-	1 7
Retained profit	-	147 4	147 4
At 1 January 2006	75 6	664 8	740 4
Arising from the cancellation of shares	(56 9)	-	(56 9)
Retained result	-	-	-
At 31 December 2006	18 7	664 8	683 5

### 8 Financial commitments

Certain group creditors have fixed and floating charges on all its assets present and future and on the uncalled share capital, other than the company's trade receivables. These charges are secured under a credit agreement, where JP Morgan Chase Bank acts as the creditors' collateral agent and trustee.

### 9 Ultimate parent undertaking

The largest group in which the results of the company are consolidated is that headed by TRW Automotive Holdings Corp, the ultimate parent undertaking incorporated in Delaware in the USA. The consolidated accounts of this company may be obtained from the TRW Automotive Holdings Corp, 12001 Tech Center Drive, Livonia, Michigan 48150, USA.