

# Annual Report and Financial Statements

## LucasVarity

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**For the Year Ended 31 December 2008**

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## Officers and professional advisors

**Company registration number**

3207774

**Directors**

BA Elms  
GT Plumley  
R Lechner  
PM Almond  
HA Kindelan  
P Rapin

**Secretary**

J Pegg

**Auditor**

Ernst & Young  
Registered Auditor  
No.1 Colmore Square  
Birmingham  
B4 6HQ

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## Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2008.

### Principal activities and business review

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

### Results and dividends

The profit for the year, after taxation, amounted to £77,392,700 (2007 loss - £102).

On 21 August 2008, the directors resolved to pay an interim dividend of £62,365,097 on 26 August 2008 to its parent undertakings Automotive Holdings (UK) Limited and LucasVarity Corp Inc., and on 27 October 2008 the directors resolved to pay an interim dividend of £15,027,734 to its parent undertakings Automotive Holdings (UK) Limited and LucasVarity Corp Inc., on 31 October 2008. (2007 - £nil).

### Directors

The directors who served the company during the year were as follows:

AR Neogy	(Resigned 31 March 2008)
R Lechner	
PM Almond	
GT Plumley	
BA Elms	
HA Kindelan	

### Directors' interests

None of the directors had any declarable interests in shares of any group companies in the United Kingdom at 31 December 2008.

### 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.

### 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 relevant audit information to the preparation of their report of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

## Report of the directors (continued)

### Going concern

The financial statements have been prepared on a going concern basis which assumes the company will continue in operational existence for the foreseeable future.

As at 31 December 2008, the company had net current liabilities of £918,603,382. In addition as more fully described in note 9 certain group creditors have fixed and floating charges over certain assets of the company. Covenants and repayment terms are in place in relation to these creditors.

In reaching their assessment on preparing the financial statements on the going concern basis the directors have:

- obtained a confirmation from TRW Deutschland Holding GmbH, a fellow group undertaking, that sufficient finance will be available to meet any financial commitments as they fall due for a period of at least 12 months from the date of approval of these financial statements, and that they are able to provide such support;
- confirmed that certain debt covenants on the debt held by TRW Automotive Holdings Corp., the company's ultimate parent and controlling undertaking, have been re-negotiated during June 2009, and have obtained confirmations from TRW Automotive Holdings Corp. that it is not expected the company's assets will be called upon during the next twelve months.

### Post balance sheet events

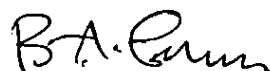
On 5 January 2009 as part of the TRW group restructuring referred to in the Report of the Directors, the company received a distribution in specie for £347,774,553 from its subsidiary undertaking Lucas Industries Limited. This represents a distribution in specie of the shares in TRW Deutschland Holding GmbH (formerly a wholly owned subsidiary of Lucas Industries Limited, the company's subsidiary undertaking). On the same day the shareholders of the company undertook a capital reduction in specie for £347,774,553 to the parent undertakings Automotive Holdings (UK) Limited and LucasVarity Corp Inc., These transactions represent a further distribution in specie of the shares of TRW Deutschland Holding GmbH.

In conjunction with the above, and on the same date, the company received a settlement in specie of £918,603,382 from its subsidiary undertaking Lucas Industries Limited the proceeds of which were used to repay its inter-company indebtedness of the same amount to its subsidiary undertaking.

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

An elective 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.

BY ORDER OF THE BOARD



B Elms

Director

30 June 2009

## 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 the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 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 that 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 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.

## Report of the independent auditor to the members of LucasVarity

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 11. 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 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.

## Report of the independent auditor to the members of LucasVarity (continued)

### 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 2008 and of its profit 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*

Ernst & Young LLP  
Registered auditor  
Birmingham  
30 June 2009



## Profit and loss account

	Note	2008 £000	2007 £000
Other operating income		77,393	–
<b>Profit on ordinary activities before taxation</b>		<b>77,393</b>	<b>–</b>
Taxation	3	–	–
<b>Profit for the financial year</b>	8	<b>77,393</b>	<b>–</b>

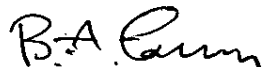
All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

## Balance sheet

	Note	2008 £000	2007 £000
<b>Fixed assets</b>			
Investments	5	1,602,116	1,602,116
Creditors: amounts falling due within one year	6	(918,604)	(918,604)
<b>Net current liabilities</b>		<u>(918,604)</u>	<u>(918,604)</u>
<b>Total assets less current liabilities</b>		<u>683,512</u>	<u>683,512</u>
<b>Net assets</b>		<u>683,512</u>	<u>683,512</u>
<b>Capital and reserves</b>			
Called-up equity share capital	7	1	18,785
Other reserve	8	<u>683,511</u>	<u>664,727</u>
<b>Equity shareholders' funds</b>	8	<u>683,512</u>	<u>683,512</u>

These financial statements were approved by the directors and authorised for issue on 30 June 2009, and are signed on their behalf by:



BA Elms  
Director

## Notes to the financial statements

### 1 Accounting policies

#### Accounting convention

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

Consolidated accounts have not been prepared because the company has taken advantage of section 228A 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 which assumes the company will continue in operational existence for the foreseeable future.

As at 31 December 2008, the company had net current liabilities of £918,603,382. In addition as more fully described in note 9 certain group creditors have fixed and floating charges over certain assets of the company. Covenants and repayment terms are in place in relation to these creditors.

In reaching their assessment on preparing the financial statements on the going concern basis the directors have:

- obtained a confirmation from TRW Deutschland Holding GmbH, a fellow group undertaking, that sufficient finance will be available to meet any financial commitments as they fall due for a period of at least 12 months from the date of approval of these financial statements, and that they are able to provide such support;
- confirmed that certain debt covenants on the debt held by TRW Automotive Holdings Corp., the company's ultimate parent and controlling undertaking, have been re-negotiated during June 2009, and have obtained confirmations from TRW Automotive Holdings Corp. that it is not expected the company's assets will be called upon during the next twelve months.

#### 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.

#### Related parties 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 therefore has 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.

**1 Accounting policies (continued)****Fixed asset investments**

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

**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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

The company is an intermediate holding company and had no employees during the year (2007 - £nil). The directors did not receive any emoluments in respect of their services to the company (2007 - £nil). The auditor's remuneration was borne by another group undertaking in the year (2007 - £nil).

**3 Taxation on profit on ordinary activities**

There is no tax charge arising on ordinary activities during the year (2007 - £nil).

**Tax reconciliation**

	2008 £000	2007 £000
Profit on ordinary activities before taxation	77,393	--
Normal tax charge at United Kingdom corporation tax rate 28.5% (2007 - 30%)	22,057	--
Permanent difference	(22,057)	--
<b>Unrelieved losses carried forward</b>	<u>          </u>	<u>          </u>

**4 Other operating charges and income**

	2008 £000	2007 £000
Administrative charges	—	—
Other operating income – dividends received	<u>77,393</u>	<u>—</u>

The company incurred bank charges of £131 in 2008 (2007 - £102).

On 26 August 2008, the company received an interim dividend of £62,365,097 from its subsidiary undertaking Lucas Industries Limited (an intermediate holding company), and on 31 October 2008 the company received an interim dividend of £15,027,734 from its subsidiary undertaking Lucas Industries Limited (an intermediate holding company).

**5 Investments**

	2008 £000	2007 £000
Shares in subsidiary undertakings at cost	<u>1,602,116</u>	<u>1,602,116</u>
Net book values		
At 1 January and 31 December 2008	<u>1,602,116</u>	<u>1,602,116</u>

The investment relates to a 100% equity investment of ordinary shares 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, incorporated in England & Wales. Lucas Industries Limited owns the remaining share capital.

The company 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.

**6 Creditors: amounts falling due within one year**

	2008 £000	2007 £000
Amounts owed to group undertakings	<u>918,604</u>	<u>918,604</u>

The £918,603,382 loan (2007 - £918,603,382) is owed to the subsidiary undertaking Lucas Industries Limited and is repayable on demand. Each year Lucas Industries Limited waives its entitlement to interest on the loan through a deed of waiver.

**7 Share capital**

Authorised share capital:

	2008 £000	2007 £000
209,621,065 Ordinary shares of £0.25 each (2007: 284,755,736 Ordinary shares of £0.25 each)	<u>52,405</u>	<u>71,189</u>

Allotted, called up and fully paid:

	2008 £000	2007 £000
4,000 Ordinary shares of £0.25 each (2007: 75,138,371 Ordinary shares of £0.25 each)	<u>1</u>	<u>18,785</u>

**8 Reconciliation of shareholders' funds and movement on reserves**

	Called-up equity share capital £000	Share premium £000	Other reserve £000	Total share- holders' funds £000
At 1 January 2008 and 31 December 2007	18,785	190,000	474,727	683,512
Profit for the year	—	—	77,393	77,393
Dividend paid on ordinary shares	—	—	(77,393)	(77,393)
Arising from cancellation of shares	(18,784)	(190,000)	208,784	—
<b>At 31 December 2008</b>	<u><b>1</b></u>	<u><b>—</b></u>	<u><b>683,511</b></u>	<u><b>683,512</b></u>

As part of the TRW group restructuring, the company cancelled its share premium account by £190,000,000 and reduced its share capital by £18,783,592 (the "Reduction of Capital"). This reduction of capital was carried out under Section 643 of the Companies Act 2006 whereby each director made a Solvency Statement following which the company's shareholders passed a special resolution to approve the reduction. The reduction of capital became effective on 9 December 2008.

**9 Financial commitments**

Certain group creditors have fixed and floating charges on all of the company's 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.

**10 Post balance sheet events**

On 5 January 2009 as part of the TRW group restructuring referred to in the Report of the Directors, the company received a distribution in specie for £347,774,553 from its subsidiary undertaking Lucas Industries Limited. This represents a distribution in specie of the shares in TRW Deutschland Holding GmbH (formerly a wholly owned subsidiary of Lucas Industries Limited, the company's subsidiary undertaking). On the same day the shareholders of the company undertook a capital reduction in specie for £347,774,553 to the parent undertakings Automotive Holdings (UK) Limited and LucasVarity Corp Inc., These transactions represent a further distribution in specie of the shares of TRW Deutschland Holding GmbH.

In conjunction with the above, and on the same date, the company received a settlement in specie of £918,603,382 from its subsidiary undertaking Lucas Industries Limited the proceeds of which were used to repay its inter-company indebtedness of the same amount to its subsidiary undertaking.

**11 Ultimate parent company**

The company's immediate parent undertaking is Automotive Holdings (UK) Limited.

In the directors' opinion, the company's ultimate parent undertaking and controlling party is TRW Automotive Holdings Corp., incorporated in Delaware in the USA. This is the smallest and largest group in which the results of the company are consolidated and copies of the consolidated accounts of the company may be obtained from 12001 Tech Centre Drive, Livonia, Michigan 48150, USA.