

REGISTRATION NUMBER - 3207774

Lucas Varity

Annual Report and Accounts 2003



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Lucas Varity Report of the Directors

The directors present their report and financial statements for the year ended 31 December 2003.

Principal activities and review of business

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

On 3 March 2003 Northrop Grumman announced that it had completed the sale of TRW Automotive Inc of which Lucas Varity is a subsidiary undertaking, to affiliates of The Blackstone Group.

Results and dividends

The loss for the year, after taxation, amounted to £0.4 million (2002: profit of £719.2 million). No dividends were paid or declared in the year (2002: £ 1,202.7 million).

Post balance sheet events

On 6 February 2004, TRW Automotive completed an initial public offering of 24.4% of the common stock. After the completion, Blackstone retained approximately 56.7%, an affiliate of Northrop Grumman and TRW Automotive management group held approximately 17.2% and 1.7% respectively.

Directors and Directors' interests

The Directors of Lucas Varity during the year were as follows:

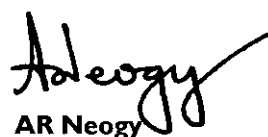
GT Plumley appointed 6 January 2003
PM Almond
R Lechner
AR Neogy

None of the directors had any beneficial interest in the shares of the company, or any subsidiary undertakings.

Auditors

A resolution to re-appoint Ernst & Young LLP as the company's auditors will be put to the forthcoming Annual General meeting.

On behalf of the Board



AR Neogy
Director
20 October 2004

Lucas Varity

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;
- state whether applicable 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 Lucas Varsity

We have audited the company's financial statements for the period ended 31 December 2003 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 9. These financial statements have been prepared on the basis of 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 in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and 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 Directors' Report 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

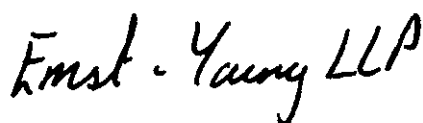
Basis of audit opinion

We conducted our audit in accordance with 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 affairs of the company 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.



Ernst & Young LLP
Registered Auditor
Birmingham
20 October 2004

Lucas Varity

Profit and Loss Account

For the year ended 31 December 2003

	NOTES	2003 £m	2002 £m
Operating expenses		-	-
Loss on ordinary activities before interest		-	-
Income from investments:			
Dividend received from subsidiary undertaking		-	622.4
Interest receivable less payable	3	-	101.3
Write-off inter-company balance		(0.4)	(4.5)
(Loss)/profit on ordinary activities before and after taxation		(0.4)	719.2
Ordinary dividend on equity shares		-	(1,202.7)
Retained loss for the year	8	(0.4)	(483.5)

There are no recognised gains and losses other than the loss for the current and previous years.

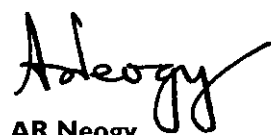
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Balance Sheet

At 31 December 2003

		2003	2002
	NOTES	£m	£m
Fixed assets:			
Investments	5	1,600.4	1,347.2
		1,600.4	1,347.2
Current assets:			
Debtors: amounts falling due within one year			
Amounts owed by group undertakings		-	-
Creditors: amounts falling due within one year			
Amounts owed to group undertakings		(861.7)	(861.3)
Net current liabilities		(861.7)	(861.3)
Net assets		738.7	485.9
Capital and reserves:			
Called up share capital	7.8	248.5	185.3
Other reserve	8	490.2	300.6
Equity shareholders' funds	8	738.7	485.9

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



AR Neogy

Director

20 October 2004

Lucas Varity

Notes to the Financial Statements

At 31 December 2003

I Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable 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 Automotive Holdings UK Limited, a company registered in England and Wales. These accounts present information about the company and not about its group.

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 Corporation it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with other subsidiary undertakings that form part of the TRW Automotive Holdings Corporation group, and associated undertakings of TRW Automotive Holdings Corporation group.

Cash flow

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 includes the company in its own published consolidated financial statements.

Deferred taxation

Following the introduction of FRS19 provision is made for deferred tax 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 tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- 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; and
- 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.

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Notes to the Financial Statements (continued)

At 31 December 2003

1 Accounting policies (continued)

Deferred taxation (continued)

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 (December 2002 - nil). The directors emoluments were borne by another group undertaking in the year (December 2002 - £ nil). The auditors' remuneration was borne by another group undertaking in the year (December 2002 - £ nil).

3 Interest receivable less payable

	2003 £m	2002 £m
Interest receivable from group undertaking	-	105.0
Interest payable to group undertaking	-	(3.7)
	-	101.3

4 Taxation on profit on ordinary activities

There is no tax charge arising on ordinary activities during the year due to group relief (December 2002 - £ nil).

Tax reconciliation

	2003 £m	2002 £m
(Loss)/profit on ordinary activities before taxation	(0.4)	719.2
Normal tax (credit)/charge at UK corporation tax rate 30% (December 2002 - 30%)	(0.1)	215.7
Expenses not deductible for tax purposes	0.1	-
Group relief received	-	(215.7)
	-	-

5 Investments

	SUBSIDIARY UNDERTAKINGS £ m
Cost:	
At 1 January 2003	1,347.2
Additions	253.2
At 31 December 2003	1,600.4
Net book values:	
At 31 December 2003	1,600.4
At 1 January 2003	1,347.2

The investment relates entirely to the 100% equity investment in the subsidiary undertaking, Lucas Industries Limited, which is a holding company.

On 28 February 2003 the company subscribed for a further 253,081,099 shares in Lucas Industries Limited. The proceeds were used by Lucas Industries Limited to repay an inter-company liability so that their subsidiary undertaking, TRW Deutschland Holding GmbH, could repay external debt.

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Notes to the Financial Statements (continued)

At 31 December 2003

6 Provisions for liabilities and charges

There is no deferred tax liability (December 2002 - £nil).

7 Share capital

Authorised :

	2003		2002	
	No.	£	No.	£
Ordinary shares (25p each)	10,008,800,000	2,502,200,000	10,008,800,00	2,502,200,000
Allotted, called up and fully paid:	2003		2002	
	No.	£	No.	£
Ordinary shares (25p each)	994,115,735	248,528,934	741,034,636	185,258,659

On 28 February 2003 the company issued 252,866,843 ordinary shares of 25p each at a premium of 75p each to TRW Automotive UK Limited. The proceeds were used to subscribe for shares in Lucas Industries Limited.

During the year 214,256 ordinary shares of 25p each, with an aggregate nominal value of £366,378 were issued. The shares were issued in exchange for cash under the Lucas Varity and TRW Automotive UK Limited scheme of arrangement dated 6 September 1996, relating to the exercise of Lucas Industries savings related share options.

8 Reconciliation of shareholders' funds and movement on reserves

	SHARE CAPITAL £m	OTHER RESERVE £m	TOTAL £m
At 31 December 2002	185.3	300.6	485.9
Arising from share issues	63.2	190.0	253.2
Retained loss	-	(0.4)	(0.4)
At 31 December 2003	248.5	490.2	738.7

9 Ultimate parent company and parent undertaking of larger group

The largest group in which the results of the company are consolidated is that headed by TRW Automotive Holdings Corporation, the ultimate parent undertaking and controlling party incorporated in Delaware in the USA. The consolidated accounts of this company may be obtained from the TRW Automotive Holdings Corporation, 12025 Tech Center Drive, Livonia, Michigan 48150, USA.

The smallest group in which the results of the company are consolidated and the company's immediate parent undertaking is Automotive Holdings UK Limited, the consolidated financial statements of this company may be obtained from the Company Secretary at Stratford Road, Solihull, B90 4AX, England.