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ENGINE DEVELOPMENTS LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and accounts for the year ended 31st December 1987.

RESULTS

The trading profit for the year after taxation amounted to £316,471.

DIVIDENDS

The directors recommend the payment of a total dividend of £260,000

PRINCIPAL ACTIVITY

The company's principal activities during the year were those of designing, developing, testing and manufacturing motor car engine components.

REVIEW OF THE BUSINESS

Turnover during the year increased by £1,173,619 and net profits earned before the payment of dividends increased by £92,998.

MARKET VALUE OF LAND AND BUILDINGS

The directors consider that the market value of land and buildings is approximately £32,000 higher than the book value of £72,724. If the land and buildings were sold at this higher amount, there would be a taxation liability of approximately £28,000.

FIXED ASSETS

The changes in fixed assets during the year are summarised in note 8 to the accounts.

FUTURE DEVELOPMENTS

The directors expect the company's activities to continue at no lesser level in future years.

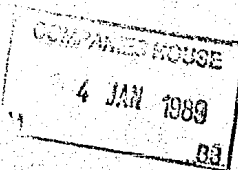
EVENTS SINCE THE END OF THE YEAR

There have been no events since the balance sheet date which affect the state of affairs shown in these accounts.

DIRECTORS

The directors during the year and their interests in the share capital of the company were as follows:-

	<u>At 1st January 1987</u>	<u>At 31st December 1987</u>
	<u>Ordinary Shares</u>	<u>Ordinary Shares</u>
Mr J. D. Judd	697	697
Sir J. A. Brabham	240	240
Mrs S. F. Judd	30	30
	967	967



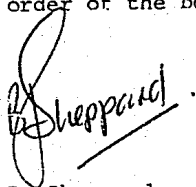
ENGINE DEVELOPMENTS LIMITED

REPORT OF THE DIRECTORS

AUDITORS

A resolution to re-appoint Messrs. Blinkhorns as auditors will be put to the members at the annual general meeting.

By order of the board.

A handwritten signature in dark ink, appearing to read 'B. G. Sheppard', is written over a horizontal line.

B. G. Sheppard
Secretary

15TH NOVEMBER 1988

REPORT OF THE AUDITORS

TO THE MEMBERS OF

ENGINE DEVELOPMENTS LIMITED

We have audited the financial statements on pages 4 to 10. Our audit was conducted in accordance with approved Auditing Standards having regard to the matters referred to in the following paragraph.

In common with many businesses of similar size and organisation, the company's system of control is dependent upon the close involvement of the directors, who are major shareholders. Where independent confirmation of the completeness of the accounting records was therefore not available, we have accepted assurances from the directors that all the company's transactions have been reflected in the records.

Subject to the foregoing, in our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at 31st December 1987 and of its results and source and application of funds for the year then ended and comply with the Companies Act 1985.

14/16 Great Portland Street,
London W1N 6BL

15TH NOVEMBER 1988

BLINKHORNS
CHARTERED ACCOUNTANTS

ENGINE DEVELOPMENTS LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31ST DECEMBER 1987

	<u>NOTES</u>	<u>1987</u>	<u>1986</u>
		£	£
TURNOVER	2	2,490,628	1,317,009
Cost of sales		1,553,090	647,653
Gross profit		937,538	669,356
Selling expenses		275,474	194,369
Establishment expenses		22,051	16,701
Administration expenses		223,675	196,737
		(521,200)	(407,807)
Other operating income		3,889	11,119
OPERATING PROFIT	3	420,227	272,668
Interest received		72,441	71,413
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		492,668	344,081
Tax on profit on ordinary activities	5	176,197	131,844
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		316,471	212,237
Extraordinay item	6	-	11,236
		316,471	223,473
Proposed dividend	7	260,000	170,000
		56,471	53,473
Balance brought forward		462,732	409,259
BALANCE CARRIED FORWARD		519,203	462,732

The notes on pages 7 to 10 form part of these accounts.

ENGINE DEVELOPMENTS LIMITEDBALANCE SHEETAT 31ST DECEMBER 1987

	<u>NOTES</u>	<u>1987</u>	<u>1986</u>
		£	£
FIXED ASSETS			
Tangible assets	8	446,233	224,583
Investments	9	450,000	450,000
		896,233	674,583
CURRENT ASSETS			
Stocks and work in progress		464,950	340,900
Debtors	10	496,488	369,776
Cash at bank and in hand		750,868	573,657
		1,712,306	1,284,333
CREDITORS-AMOUNTS FALLING DUE WITHIN ONE YEAR	11	2,088,336	1,495,184
NET CURRENT LIABILITIES		(376,030)	(210,851)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		520,203	463,732
CAPITAL AND RESERVES			
Called up share capital	12	1,000	1,000
Profit and loss account		519,203	462,732
SHAREHOLDERS FUNDS		520,203	463,732

.....)
)
) Directors
)
 S.F. Ltd)
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15TH NOVEMBER 1988

The notes on pages 7 to 10 form part of these accounts.

ENGINE DEVELOPMENTS LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 31ST DECEMBER 1987

	<u>1987</u>		<u>1986</u>	
	£	£	£	£
SOURCE OF FUNDS				
Profit on ordinary activities before taxation		492,668		344,081
Adjustment for items not involving the movement of funds:				
Depreciation		96,996		40,356
Loss/(profit) on disposal of tangible fixed assets		(1,368)		328
TOTAL GENERATED FROM OPERATIONS		588,296		384,765
FUNDS FROM OTHER SOURCES				
Proceeds of disposal of tangible fixed assets		10,450		75,125
		598,746		459,890
APPLICATION OF FUNDS				
Purchase of tangible fixed assets	327,728		48,620	
Tax paid	49,624		38,120	
Dividend paid	25,000		8,000	
Loans	-		250,000	
		402,352		344,740
WORKING CAPITAL-INCREASE				
		196,394		115,150
COMPONENTS OF INCREASE/(DECREASE) IN WORKING CAPITAL				
Stocks and work in progress		124,050		201,250
Debtors		126,712		(44,965)
Creditors		(231,579)		(19,125)
		19,183		137,160
MOVEMENT IN NET LIQUID FUNDS				
Cash at bank and in hand		177,211		(22,010)
		196,394		115,150

ENGINE DEVELOPMENTS LIMITEDNOTES TO THE ACCOUNTSAT 31ST DECEMBER 1987NOTE 1 ACCOUNTING POLICIESAccounting Convention

The accounts are prepared under the historical cost convention.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold property, at the following annual rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:-

Plant and machinery	- 20% reducing balance basis
Furniture and equipment	- 15% reducing balance basis
Motor vehicles	- 25% reducing balance basis

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Deferred Taxation

The company has adopted the proposals of Statement of Standard Accounting Practice No 15 whereby no provision has been made for deferred taxation arising from the excess of accelerated capital allowances over depreciation charged in the accounts as no liability of this nature is expected to arise in the foreseeable future.

FOREIGN CURRENCY TRANSACTION

Foreign currency transactions are converted into sterling at the rate prevailing at the balance sheet date. Any differences are dealt with through the profit and loss account.

19871986

£

£

NOTE 2 TURNOVER

Turnover represents the amount of goods sold and services provided, less refunds and value added tax.

2,490,6281,317,009

ENGINE DEVELOPMENTS LIMITEDNOTES TO THE ACCOUNTSAT 31ST DECEMBER 1987

	<u>1987</u>	<u>1986</u>
	£	£
<u>NOTE 3 OPERATING PROFIT</u>		
a) This is stated after charging or crediting:-		
Directors' emoluments (see below)	153,180	138,140
Auditors' remuneration	6,600	6,490
Depreciation	96,997	40,356
(Profit)/loss on disposal of motor vehicles	(1,368)	328
	<u>153,180</u>	<u>138,140</u>
b) Directors' emoluments		
J.D. Judd (Chairman)	70,300	65,890
S.F. Judd	20,880	20,250
J.A. Brabham	2,000	2,000
Pension contributions	60,000	50,000
	<u>153,180</u>	<u>138,140</u>

NOTE 4 STAFF COSTS

Wages and salaries	342,839	252,939
Social security costs	44,249	33,932
Pension Contributions	7,000	3,000
	<u>394,088</u>	<u>289,871</u>

The average weekly number of employees during the year was made up as follows:-

	<u>Number</u>	<u>Number</u>
Office and management	3	3
Manufacturing	29	24
	<u>32</u>	<u>27</u>
	£	£

NOTE 5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Based on the profit for the year at current rates	176,147	131,866
Corporation tax (over)/under provided in previous years	50	(22)
	<u>176,197</u>	<u>131,844</u>
Deferred taxation - full potential liability:		
Accelerated capital allowances	<u>28,359</u>	<u>32,395</u>

ENGINE DEVELOPMENTS LIMITEDNOTES TO THE ACCOUNTSAT 31ST DECEMBER 1987

	<u>1987</u>	<u>1986</u>
	£	£
<u>NOTE 6 EXTRAORDINARY ITEMS</u>		
Surplus on disposal of freehold property	-	12,931
Less: Provision for capital gains tax	-	(1,695)
	<u>-</u>	<u>11,236</u>

NOTE 7 DIVIDENDS

Ordinary	- interim paid	-	-
	- final proposed	<u>260,000</u>	<u>170,000</u>

NOTE 8 TANGIBLE FIXED ASSETS

	<u>Freehold Land and Buildings</u>	<u>Plant and Machinery</u>	<u>Fixtures and Fittings</u>	<u>Motor Vehicles</u>	<u>Total</u>
	£	£	£	£	£
Cost at:					
1st January 1987	72,724	309,171	15,558	57,493	454,946
Additions	-	288,392	1,394	37,942	327,728
Disposals	-	(8,504)	-	(15,503)	(24,007)
	<u>72,724</u>	<u>589,059</u>	<u>16,952</u>	<u>79,932</u>	<u>758,667</u>
31st December 1987	72,724	589,059	16,952	79,932	758,667
Depreciation at:					
1st January 1987	-	198,568	8,883	22,912	230,363
Provided during the year	-	79,290	1,210	16,496	96,996
Disposals	-	(5,963)	-	(8,962)	(14,925)
	<u>Nil</u>	<u>271,895</u>	<u>10,093</u>	<u>30,446</u>	<u>312,434</u>
31st December 1987	Nil	271,895	10,093	30,446	312,434
Net book value at:					
31st December 1987	72,724	317,164	6,859	49,486	446,233
31st December 1986	72,724	110,603	6,675	34,581	224,583

ENGINE DEVELOPMENTS LIMITEDNOTES TO THE ACCOUNTSAT 31ST DECEMBER 1987

	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>

NOTE 9 FIXED ASSET INVESTMENTS

44,210.41 participating redeemable preference shares in County Nat West Currency Fund Ltd.

2nd August 1983	Cost	450,000	450,000
Valuation at Balance Sheet date		687,507	630,055

NOTE 10 DEBTORS

Trade debtors	159,698	107,992
Other debtors	331,301	257,779
Prepayments	5,489	4,005
	<u>496,488</u>	<u>369,776</u>

NOTE 11 CREDITORSAMOUNTS FALLING DUE WITHIN ONE YEAR

Payments received on account	455,781	268,520
Trade creditors	746,950	600,806
Directors current accounts	30,431	90,932
Current corporation tax	289,743	163,170
Other taxes and social security costs	96,658	146,194
Other creditors	38,773	30,562
Proposed dividends	430,000	195,000
	<u>2,088,336</u>	<u>1,495,184</u>

NOTE 12 SHARE CAPITAL

Authorised		
Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid
Ordinary shares of £1 each

1,000 1,000