ENGINE DEVELOPMENTS LIMITED

STATUTORY INFORMATION

COMPANY NUMBER

00694741

DIRECTORS

Mr J D Judd
Mrs S F Judd
Sir Jack Brabham OBE

SECRETARY

Mrs S F Judd

REGISTERED OFFICE

14/16 Great Portland Street
London W1N 6BL

REGISTERED AUDITORS

Blinkhorns
Chartered Accountants
14/16 Great Portland Street
London W1N 6BL

ENGINE DEVELOPMENTS LIMITED

DIRECTORS' REPORT

The directors submit their report and financial statements for the year ended 31 December 1994.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

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

The company performed satisfactorily during the year and the directors considered the company to be in a reasonable trading position at the balance sheet date.

FUTURE DEVELOPMENTS

The directors expect the company's activities to continue at a similar level in the foreseeable future.

EVENTS SINCE THE END OF THE YEAR

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

FIXED ASSETS

Changes in fixed assets are shown in notes 9 and 10 to the financial statements.

RESULTS AND DIVIDENDS

The results for the year under review are summarised in the profit and loss account on page 5.

The directors recommend the payment of a total dividend of £102,000 (1993 £115,200).

DIRECTORS' INTERESTS

The interests of the directors in the shares of the company at the beginning and end of the year, were as follows:

	Ordinary shares of £1 each	
	31 December 1994 Number	1 January 1994 Number
Mr J D Judd	630	630
Mrs S F Judd	30	30
Sir Jack Brabham OBE	-	-

FREEHOLD LAND AND BUILDINGS

The directors consider that the market value of freehold land and buildings is in excess of the amount shown in the accounts but, as these assets are used in the company's business and no disposals are envisaged, the excess is not quantified.

ENGINE DEVELOPMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

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;
- 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.

AUDITORS

The Registered Auditors, Messrs. Blinkhorns, have indicated their willingness to accept re-appointment under Section 385 of the Companies Act 1985.

By order of the Board

S.F. Judd

MRS S F JUDD
Secretary

3 NOV 1995

AUDITORS' REPORT

TO THE SHAREHOLDERS OF

ENGINE DEVELOPMENTS LIMITED

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below. 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. However, as stated in note 1, due to their specialised nature, the company's stock and work in progress have been included at the directors' valuation. There were no satisfactory audit procedures that we could adopt to confirm independently the valuation prepared by the directors and as a result we have been unable to verify the valuation of stock and work in progress shown in the financial statements.

In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

QUALIFIED OPINION ARISING FROM LIMITATION IN AUDIT SCOPE

Except for any adjustment that might have been found to be necessary had we been able to verify the value of stock and work in progress, in our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1994 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Furthermore, in our opinion the subject matter of the foregoing qualification is not material for determining whether the distribution of £102,000 (1993 £115,200) proposed by the company is permitted under section 270 of the Act.

Blinkhorns

Blinkhorns
Chartered Accountants and Registered Auditors
14/16 Great Portland Street
London W1N 6BL

6 November 1995

ENGINE DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1994

	NOTES	1994		1993	
		£	£	£	£
TURNOVER	2		5,226,440		5,088,210
Cost of sales			3,000,218		2,621,504
Gross profit			2,226,222		2,466,706
Selling expenses		298,851		338,814	
Establishment expenses		48,123		55,556	
Administration expenses		1,691,512		1,776,623	
			(2,038,486)		(2,170,993)
Other operating income			9,731		25,715
OPERATING PROFIT	3		197,467		321,428
Interest receivable	5	245,728		251,951	
Interest payable	6	(170,729)		(291,796)	
			74,999		(39,845)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			272,466		281,583
Tax on profit on ordinary activities	7		(80,899)		(106,841)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			191,567		174,742
Proposed dividend	8		(102,000)		(115,200)
			89,567		59,542
Balance brought forward			1,722,277		1,662,735
BALANCE CARRIED FORWARD			1,811,844		1,722,277

The company has no recognised gains or losses other than those dealt with in the profit and loss account.

All amounts relate to continuing activities.

The attached notes form part of these financial statements.

ENGINE DEVELOPMENTS LIMITED

BALANCE SHEET

31 DECEMBER 1994

	NOTES	1994		1993	
		£	£	£	£
FIXED ASSETS					
Tangible assets	9		1,295,802		1,381,028
Investments	10		472,781		472,781
			1,768,583		1,853,809
CURRENT ASSETS					
Stocks and work in progress		161,730		269,922	
Debtors	11	456,300		657,763	
Cash at bank and in hand		4,806,150		4,082,373	
		5,424,180		5,010,058	
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	12	5,379,919		5,140,590	
NET CURRENT ASSETS/ (LIABILITIES)			44,261		(130,532)
TOTAL ASSETS LESS CURRENT LIABILITIES			1,812,844		1,723,277
CAPITAL AND RESERVES					
Called up share capital	13		1,000		1,000
Profit and loss account			1,811,844		1,722,277
SHAREHOLDERS' FUNDS	14		1,812,844		1,723,277

The financial statements were approved by the Board of Directors on 3 NOV 1995.

J D JUDD - Director

The attached notes form part of these financial statements.

ENGINE DEVELOPMENTS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1994

	NOTES	1994		1993	
		£	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	15		503,111		859,754
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		245,728		251,951	
Interest paid		(89,309)		(172,718)	
Dividends paid		(115,200)		(144,000)	
			41,219		(64,767)
TAXATION					
Corporation tax refunded/(paid)			208,763		(261,166)
INVESTING ACTIVITIES					
Purchase of tangible fixed assets		(33,642)		(95,410)	
Sale of tangible fixed assets		4,326		39,480	
			(29,316)		(55,930)
INCREASE IN CASH AND CASH EQUIVALENTS	16		723,777		477,891

The attached notes form part of these financial statements

ENGINE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 1994

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous year and also have been consistently applied within the same financial statements.

Basis of Preparation of the Financial Statements

The financial statements have been prepared under the historical cost convention.

The effect of events relating to the year ended 31 December 1994 which occurred before the date of approval of the financial statements by the Board of Directors, have been included in the financial statements to the extent required to show a true and fair view of the state of affairs at 31 December 1994 and of the results for the year ended on that date.

Depreciation

Depreciation is provided on all tangible assets, other than freehold land and buildings, at the following annual rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life.

Plant and machinery	- 20% reducing balance basis
Fixtures, furniture and equipment	- 15% reducing balance basis
Motor vehicles	- 25% reducing balance basis

No depreciation is provided on freehold buildings as the directors are of the opinion that the residual values of the buildings will be at least equal to the amount in these financial statements.

Stocks

The company develops and manufactures specialist motor racing engine components, the design and development of which changes constantly.

As a result the valuation of the company's stock and work in progress has to take into account special factors. As the directors possess a detailed knowledge of the market the company operates in, stock and work in progress have been included in the financial statements at the lower of cost or net realisable value provided by the directors.

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 financial statements as no liability of this nature is expected to arise in the foreseeable future.

Foreign Exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction.

Balances at the year end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date.

Any differences are dealt with through the profit and loss account.

Pension Costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they became payable.

ENGINE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 1994

2. TURNOVER

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

The analysis of turnover by geographical area is as follows:-

	1994	1993
	£	£
United Kingdom	209,232	151,906
Japan	3,673,766	4,388,905
United States of America	1,343,442	547,399
	5,226,440	5,088,210

3. OPERATING PROFIT

a) This is stated after charging or (crediting):-

	1994	1993
Directors' emoluments (including pension contributions)	1,136,219	1,284,249
Auditors' remuneration	22,000	22,500
Depreciation	114,738	137,517
Loss/(profit) on disposal of motor vehicles	588	(195)
Profit on disposal of office equipment	(784)	(214)
Profit on disposal of plant	-	(3,980)
Rents receivable	(2,192)	(17,650)
Gain on exchange	(6,539)	(8,065)

b) Directors' emoluments

	1994	1993
The chairman (who was also the highest paid director) excluding pension contributions	1,016,452	1,160,334

Other directors:

	Number	Number
£0 - £5,000	1	1
£55,000 - £60,000	1	-
£70,000 - £75,000	-	1

ENGINE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 1994

4. STAFF COSTS

	£	£
Wages and salaries	1,321,996	1,215,021
Social security costs	239,591	250,069
Other pension costs	22,000	20,700
	1,583,587	1,485,790

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

	Number	Number
Office and management	7	7
Manufacturing	45	42
	52	49

	1994	1993
	£	£

5. INTEREST RECEIVABLE

Bank deposit interest	230,961	240,388
Other interest	14,767	11,563
	245,728	251,951

6. INTEREST PAYABLE

Director's current account	170,729	291,796

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Based on the assessable profit for the year:-

Corporation tax at current rates	81,000	110,336
Corporation tax over-provided in previous year	-	(7)
Supplement received	(101)	(3,488)
	80,899	106,841

8. DIVIDEND

Ordinary - final proposed	102,000	115,200

ENGINE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 1994

9. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings	Plant and Machinery	Fixtures and Fittings and Equipment	Motor Vehicles	Total
	£	£	£	£	£
Cost at:					
1 January 1994	841,098	1,105,134	127,191	166,378	2,239,801
Additions	-	10,830	16,812	6,000	33,642
Disposals	-	-	(4,000)	(5,400)	(9,400)
31 December 1994	841,098	1,115,964	140,003	166,978	2,264,043
Depreciation at:					
1 January 1994	-	733,885	53,721	71,167	858,773
Provided during the year	-	76,416	13,542	24,780	114,738
Eliminated on disposal	-	-	(1,958)	(3,312)	(5,270)
31 December 1994	-	810,301	65,305	92,635	968,241
Net book value at:					
31 December 1994	841,098	305,663	74,698	74,343	1,295,802
31 December 1993	841,098	371,249	73,470	95,211	1,381,028

10. FIXED ASSET INVESTMENTS

	1994	1993
	£	£
Listed investments		
Cost at 1 January 1994	472,781	472,781
Additions in year	-	-
Disposals in year	-	-
Cost at 31 December 1994	472,781	472,781
Market value at 31 December 1994	1,344,810	1,286,774

ENGINE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 1994

	1994	1993
	£	£
11. DEBTORS		
Trade debtors	323,820	204,063
Other debtors	95,816	102,783
Prepayments and accrued income	29,103	30,347
Corporation tax refund	7,561	320,570
	456,300	657,763

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1994	1993
Bank overdraft	-	75,074
Payments received on account	510,000	511,000
Trade creditors	668,355	525,660
Directors current accounts	2,928,599	2,661,995
Current corporation tax	81,000	104,347
Other taxes and social security costs	685,601	741,451
Other creditors	289,164	261,863
Proposed dividends	102,000	115,200
Loan accounts	115,200	144,000
	5,379,919	5,140,590

13. SHARE CAPITAL

	1994	1993
Authorised		
Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	1,000	1,000

There were no changes during the year.

ENGINE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 1994

14. MOVEMENTS IN SHAREHOLDERS FUNDS

	1994 £	1993 £
Opening shareholders funds	1,723,277	1,663,735
Profit for the year after tax	191,567	174,742
Proposed dividend	(102,000)	(115,200)
Closing shareholders funds	1,812,844	1,723,277

15. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1994 £	1993 £
Operating profit	197,467	321,428
Depreciation charges	114,738	137,517
Profit on disposal of fixed assets	(196)	(4,389)
Decrease in stocks	108,192	69,711
(Increase)/decrease in debtors	(111,546)	410,669
(Decrease)/Increase in creditors	194,456	(75,182)
	503,111	859,754

16. CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR

	1994 £	1993 £
Bank and cash balance at 1 January 1994	4,082,373	3,604,482
Net cash inflow	723,777	477,891
Bank and cash balance at 31 December 1994	4,806,150	4,082,373

17. PENSION COSTS

The company operates a non-contributory pension scheme. It is a defined contribution scheme and contributions are charged in the profit and loss account as they accrue. The charge for the year was £82,000 (1993 £80,700).