694741

ENGINE DEVELOPMENTS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1995

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

AUDITORS

Blinkhorns
14/16 Great Portland Street
London W1N 6BL

ENGINE DEVELOPMENTS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 1995.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

It is proposed that the retained profit of £62,810 is transferred to reserves.

The directors recommend payment of a dividend amounting to £102,000.

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 1995 Number	1 January 1995 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

REPORT OF THE DIRECTORS
(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 the 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, Blinkhorns, are willing to be reappointed in accordance with section 385 of the Companies Act 1985.

By Order of the Board

S.F. Judd

MRS S F Judd
Secretary

19 March 1997

AUDITORS' REPORT

TO THE SHAREHOLDERS OF

ENGINE DEVELOPMENTS LIMITED

We have audited the financial statements on pages 5 to 14 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 in the Directors Report 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 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 as at 31 December 1995 and of its profit 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 (1994 £102,000) proposed by the company is permitted under section 270 of the Act.

Blinkhorns

BLINKHORNS
Registered Auditors
14/16 Great Portland Street
London W1N 6BL

19 March 1997

ENGINE DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes	1995 £	1995 £	1994 £	1994 £
TURNOVER	2		4,880,221		5,226,440
Cost of sales			(2,665,221)		(3,000,218)
GROSS PROFIT			2,215,000		2,226,222
Selling expenses		384,138		298,851	
Establishment expenses		47,976		48,123	
Administrative expenses		1,649,604		1,691,512	
			(2,081,718)		(2,038,486)
			133,282		187,736
Other operating income			18,036		9,731
OPERATING PROFIT	3		151,318		197,467
Interest receivable	5	300,447		245,728	
Interest payable	6	(215,963)		(170,729)	
			84,484		74,999
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			235,802		272,466
Tax on profit on ordinary activities	7		(70,992)		(80,899)
PROFIT FOR THE FINANCIAL YEAR			164,810		191,567
Dividends	8		(102,000)		(102,000)
RETAINED PROFIT FOR THE YEAR			62,810		89,567
Balance brought forward			1,811,844		1,722,277
BALANCE CARRIED FORWARD			1,874,654		1,811,844

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 LIMITEDB3

BALANCE SHEET

AT 31 DECEMBER 1995

	Notes	1995 £	1995 £	1994 £	1994 £
FIXED ASSETS					
Tangible assets	9		1,186,208		1,295,802
Investments	10		472,781		472,781
			1,658,989		1,768,583
CURRENT ASSETS					
Stocks		302,825		161,730	
Debtors	11	944,937		456,300	
Cash at bank and in hand		4,796,651		4,806,150	
		6,044,413		5,424,180	
CREDITORS: Amounts falling due within one year	12	(5,827,748)		(5,379,919)	
NET CURRENT ASSETS			216,665		44,261
TOTAL ASSETS LESS CURRENT LIABILITIES			1,875,654		1,812,844
CAPITAL AND RESERVES					
Called up share capital	13		1,000		1,000
Profit and loss account			1,874,654		1,811,844
SHAREHOLDERS' FUNDS	14		1,875,654		1,812,844

The financial statements were approved by the board on 19 March 1997 and signed on its behalf by:-

J D JUDD - Director

The attached notes form part of these financial statements.

ENGINE DEVELOPMENTS LIMITED

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes	1995 £	1995 £	1994 £	1994 £
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	15		(13,634)		503,111
Return on investments and servicing of finance:					
Interest received		300,447		245,728	
Interest paid		(128,197)		(89,309)	
Dividends paid		(102,000)		(115,200)	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			70,250		41,219
Taxation:					
Corporation tax (paid) / refunded			(73,239)		208,763
Investing activities:					
Purchase of tangible fixed assets		(54,026)		(33,642)	
Receipts from sale of tangible assets		61,150		4,326	
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES			7,124		(29,316)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	16		(9,499)		723,777

The attached notes form part of these financial statements.

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 1995 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 1995 and of the results for the year ended on that date.

Depreciation

Depreciation is provided on all tangible fixed 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, fittings 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 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 and net realisable value provided by the client.

Deferred Taxation

The company has adopted the proposals of Statement of Standard Accouning 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 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 te balance sheet date. Any differences are dealt with through the profit and loss account.

Pensions

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

2. TURNOVER

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

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

	1995	1994
	£	£
United Kingdom	661,496	209,232
Japan	4,081,928	3,673,766
United States of America	70,465	1,343,442
Rest of Europe	66,332	-
	4,880,221	5,226,440

ENGINE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 1995

3. OPERATING PROFIT

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

	1995	1994
	£	£
Directors' emoluments (including pension contributions)	1,136,417	1,136,219
Auditors remuneration	20,000	22,000
Depreciation of owned assets	87,437	114,738
Hire of equipment	687	-
Loss on disposal of plant	19,000	-
(Profit)/loss on disposal of motor vehicles	(3,967)	588
Profit on disposal of office equipment	-	(784)
Rents receivable	(18,036)	(3,192)
Loss/(gain) on exchange	4,984	(6,539)

b) Directors' emoluments

	1995	1994
The chairman (who was also the highest paid director) excluding pension contributions	1,018,016	1,016,452
Other directors:	Number	Number
£0 - £ 5,000	1	1
£55,000 - £60,000	1	1

4. STAFF COSTS

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

	1995	1994
	Number	Number
Office and management	7	7
Manufacturing	43	45
	50	52

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	1,239,189	1,321,996
Social security costs	247,014	239,594
Other pension costs	24,300	22,000
	1,510,503	1,583,587

ENGINE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 1995

5. INTEREST RECEIVABLE

	1995	1994
	£	£
Bank deposit interest	300,447	230,961
Other interest receivable	-	14,767
	300,447	245,728

6. INTEREST PAYABLE

	1995	1994
	£	£
Bank overdraft	149	-
Director's current account	215,814	170,729
	215,963	170,729

7. TAX ON ORDINARY ACTIVITIES

	1995	1994
	£	£
Based on the assessable profit for the year:-		
Corporation tax at current rates	71,000	81,000
Supplement received	-	(101)
Adjustment in respect of prior years	(8)	-
	70,992	80,899

8. DIVIDENDS

	1995	1994
	£	£
Ordinary final dividend proposed	102,000	102,000

9. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings	Plant and machinery	Fixtures and Fittings and Equipment	Motor Vehicles	Total
	£	£	£	£	£
Cost:					
At 1 January 1995	841,098	1,115,964	140,003	166,978	2,264,043
Additions	-	-	11,625	42,401	54,026
Disposals	-	(125,000)	(500)	(28,523)	(154,023)
At 31 December 1995	841,098	990,964	151,128	180,856	2,164,046
Depreciation:					
At 1 January 1995	-	810,301	65,305	92,635	968,241
Charge for the year	-	48,333	12,926	26,178	87,437
On disposals	-	(61,000)	(350)	(16,490)	(77,840)
At 31 December 1995	-	797,634	77,881	102,323	977,838
Net book value:					
At 31 December 1995	841,098	193,330	73,247	78,533	1,186,208
At 31 December 1994	841,098	305,663	74,698	74,343	1,295,802

10. FIXED ASSET INVESTMENTS

Listed investments	£	£
Cost at 1 January 1995	472,781	472,781
Additions in year	-	-
Disposals in year	-	-
Cost at 31 December 1995	472,781	472,781
Market value at 31 December 1995	1,429,472	1,344,810

ENGINE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 1995

11. DEBTORS

	1995	1994
	£	£
Trade debtors	883,084	323,820
Other debtors	34,986	95,816
Corporation tax refund	679	7,561
Prepayments and accrued income	26,188	29,103
	944,937	456,300

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1995	1994
	£	£
Payments received on account	575,000	510,000
Trade creditors	817,775	668,355
Directors' current accounts	3,132,843	2,928,599
Corporation tax	71,871	81,000
Other taxes and social security costs	713,501	685,601
Other creditors and accruals	312,758	289,164
Proposed dividend	102,000	102,000
Loan accounts	102,000	115,200
	5,827,748	5,379,919

13. SHARE CAPITAL

	Authorised	called up 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 1995

14. MOVEMENTS IN SHAREHOLDERS FUNDS

	1995	1994
	£	£
Profit for the financial year	164,810	191,567
Proposed dividends	(102,000)	(102,000)
	62,810	89,567
Opening shareholders funds	1,812,844	1,723,277
CLOSING SHAREHOLDERS FUNDS	1,875,654	1,812,844

15. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES

	1995	1994
	£	£
Operating profit	151,318	197,467
Depreciation	87,437	114,738
Loss on disposal of fixed assets	15,033	(196)
(Increase) / decrease in stocks	(141,095)	108,192
Increase in debtors	(495,519)	(111,546)
Increase in creditors	369,192	194,456
	(13,634)	503,111

16. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	1995	1994
	£	£
Cash at bank and in hand at 1 January 1995	4,806,150	4,082,373
Cash at bank and in hand at 31 December 1995	4,796,651	4,806,150
Net cash (outflow) / inflow	(9,499)	723,777

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 £84,300 (1994 £82,000).