Registrar's copy

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

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 1996.

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 £114,253 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 1996	1 January 1996
	Number	Number
Mr J D Judd	630	630
Mrs S F Judd	30	30
Sir Jack Brabham OBE	-	-

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

18. December. 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 pages 8 and 9 .

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 1996 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 (1995 £102,000) proposed by the company is permitted under section 263 of the Companies Act 1985.

Blinkhorns

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

23. December...1997

ENGINE DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1996

	Notes	1996 £	1996 £	1995 £	1995 £
TURNOVER	2		5,321,286		4,880,221
Cost of sales			(2,884,183)		(2,665,221)
GROSS PROFIT			2,437,103		2,215,000
Selling expenses		405,330		384,138	
Establishment expenses		66,696		47,976	
Administrative expenses		1,748,143		1,649,604	
			(2,220,169)		(2,081,718)
			216,934		133,282
Other operating income			(4,427)		18,036
OPERATING PROFIT	3		212,507		151,318
Interest receivable	5	309,781		300,447	
Interest payable	6	(236,179)		(215,963)	
			73,602		84,484
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			286,109		235,802
Tax on profit on ordinary activities	7		(69,856)		(70,992)
PROFIT FOR THE FINANCIAL YEAR			216,253		164,810
Dividends	8		(102,000)		(102,000)
RETAINED PROFIT FOR THE YEAR			114,253		62,810
Balance brought forward			1,874,654		1,811,844
BALANCE CARRIED FORWARD			1,988,907		1,874,654

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

AT 31 DECEMBER 1996

	Notes	1996 £	1996 £	1995 £	1995 £
FIXED ASSETS					
Tangible assets	9		1,223,870		1,186,208
Investments	10		472,781		472,781
			1,696,651		1,658,989
CURRENT ASSETS					
Stocks		232,094		302,825	
Debtors	11	795,014		944,937	
Cash at bank and in hand		5,734,693		4,796,651	
		6,761,801		6,044,413	
CREDITORS: Amounts falling due within one year	12	(6,468,545)		(5,827,748)	
NET CURRENT ASSETS			293,256		216,665
TOTAL ASSETS LESS CURRENT LIABILITIES			1,989,907		1,875,654
CAPITAL AND RESERVES					
Called up share capital	13		1,000		1,000
Profit and loss account			1,988,907		1,874,654
SHAREHOLDERS' FUNDS	14		1,989,907		1,875,654

The financial statements were approved by the board on 18 December 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 1996

	Notes	1996 £	1996 £	1995 £	1995 £
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	15		1,165,367		(13,634)
Return on investments and servicing of finance:					
Interest received		309,781		300,447	
Interest paid		(236,179)		(128,197)	
Dividends paid		(102,000)		(102,000)	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(28,398)		70,250
Taxation:					
Corporation tax (paid) / refunded			(69,856)		(73,239)
Investing activities:					
Purchase of tangible fixed assets		(141,866)		(54,026)	
Receipts from sale of tangible assets		12,795		61,150	
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES			(129,071)		7,124
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	16		938,042		(9,499)

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 1996 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 1996 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 lower of cost and net realisable value provided by the directors.

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:-

	1996	1995
	£	£
United Kingdom	1,147,166	661,496
Japan	4,141,870	4,081,928
United States of America	960	70,465
Rest of Europe	31,290	66,332
	5,321,286	4,880,221

ENGINE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 1996

3. OPERATING PROFIT

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

	1996	1995
	£	£
Directors' emoluments (including pension contributions)	1,089,532	1,136,417
Auditors remuneration	20,000	20,000
Depreciation of owned assets	96,537	87,437
Hire of equipment	687	687
Loss on disposal of plant	-	19,000
(Profit)/loss on disposal of motor vehicles	(5,128)	(3,967)
Rents receivable	(19,580)	(18,036)
Loss/(gain) on exchange	24,007	4,984

b) Directors' emoluments

	1996	1995
The chairman (who was also the highest paid director) excluding pension contributions	969,736	969,736
Other directors:	Number	Number
£0 - £ 5,000	-	1
£55,000 - £60,000	1	1

4. STAFF COSTS

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

	1996	1995
	Number	Number
Office and management	7	7
Manufacturing	42	43
	49	50

The aggregate payroll costs of these persons were as follows:

	1996	1995
	£	£
Wages and salaries	1,395,603	1,239,189
Social security costs	250,113	247,014
Other pension costs	24,300	24,300
	1,670,016	1,510,503

ENGINE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 1996

5. INTEREST RECEIVABLE

	1996	1995
	£	£
Bank deposit interest	281,192	300,447
Other interest receivable	28,589	-
	309,781	300,447

6. INTEREST PAYABLE

	1996	1995
	£	£
Bank overdraft	-	149
Director's current account	236,179	215,814
	236,179	215,963

7. TAX ON ORDINARY ACTIVITIES

Based on the assessable profit for the year:-

	1996	1995
	£	£
Corporation tax at current rates	71,343	71,000
Adjustment in respect of prior years	(1,487)	(8)
	69,856	70,992

8. DIVIDENDS

	1996	1995
	£	£
Ordinary final dividend proposed	102,000	102,000

ENGINE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 1996

9. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings	Plant and machinery	Fixtures and Fittings and Equipment	Motor Vehicles	Total
	£	£	£	£	£
Cost:					
At 1 January 1996	841,098	990,964	151,128	180,856	2,164,046
Additions	-	10,000	57,992	73,874	141,866
Disposals	-	-	-	(18,175)	(18,175)
At 31 December 1996	841,098	1,000,964	209,120	236,555	2,287,737
Depreciation:					
At 1 January 1996	-	797,634	77,881	102,323	977,838
Charge for the year	-	40,666	19,686	36,185	96,537
On disposals	-	-	-	(10,508)	(10,508)
At 31 December 1996	-	838,300	97,567	128,000	1,063,867
Net book value:					
At 31 December 1996	841,098	162,664	111,553	108,555	1,223,870
At 31 December 1995	841,098	193,330	73,247	78,533	1,186,208

10. FIXED ASSET INVESTMENTS

Listed investments	£	£
Cost at 1 January 1996	472,781	472,781
Additions in year	-	-
Disposals in year	-	-
Cost at 31 December 1996	472,781	472,781
Market value at 31 December 1996	1,505,368	1,429,472

11. DEBTORS

	1996	1995
	£	£
Trade debtors	611,795	883,084
ACT recoverable	25,500	-
Other debtors	140,508	34,986
Corporation tax refund	-	679
Prepayments and accrued income	17,211	26,188
	795,014	944,937

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996	1995
	£	£
Payments received on account	810,000	575,000
Trade creditors	861,995	817,775
Directors' current accounts	3,404,443	3,132,843
Corporation tax	76,228	71,871
ACT Payable	25,500	-
Other taxes and social security costs	739,998	713,501
Other creditors and accruals	346,381	312,758
Proposed dividend	102,000	102,000
Loan accounts	102,000	102,000
	6,468,545	5,827,748

13. SHARE CAPITAL

	Authorised	called up paid
	£	£
Ordinary shares of £1 each	1,000	1,000

There were no changes during the year.

14. MOVEMENTS IN SHAREHOLDERS FUNDS

	1996	1995
	£	£
Profit for the financial year	216,253	164,810
Proposed dividends	(102,000)	(102,000)
	114,253	62,810
Opening shareholders funds	1,875,654	1,812,844
CLOSING SHAREHOLDERS FUNDS	1,989,907	1,875,654

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

	1996	1995
	£	£
Operating profit	212,507	151,318
Depreciation	96,535	87,437
Profit on disposal of fixed assets	(5,128)	15,033
Decrease in stocks	70,731	(141,095)
Decrease in debtors	149,923	(495,519)
Increase in creditors	640,797	369,192
	1,165,367	(13,634)

16. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	1996	1995
	£	£
Cash at bank and in hand at 1 January 1996	4,796,651	4,806,150
Cash at bank and in hand at 31 December 1996	5,734,693	4,796,651
Net cash (outflow) / inflow	938,042	(9,499)

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 £85,000 (1995 £84,300).