Company Registration No. 00694741 (England and Wales)

AMENDING

ENGINE DEVELOPMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

ENGINE DEVELOPMENTS LIMITED

COMPANY INFORMATION

Directors	Mr J D Judd Mrs S F Judd Sir Jack Brabham OBE
Secretary	Mrs S F Judd
Company number	00694741
Registered office	27 Mortimer Street London W1T 3BL
Auditors	Blinkhorns 27 Mortimer Street London W1T 3BL

ENGINE DEVELOPMENTS LIMITED

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ENGINE DEVELOPMENTS LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2001

The directors present their report and financial statements for the year ended 31 December 2001.

Principal activities and review of the business

The principal activities of the company in the year under review were those of designing, developing, testing and manufacturing motor racing car engines.

No significant change in the nature of these activities occurred during the year.

The net loss after providing for taxation amounted to £77,668.

The directors are satisfied with the performance of the company and are pleased with the current level of business which is being generated.

Results and dividends

The results for the year are set out on page 4.

The directors do not recommend the payment of a dividend for the year under review.

Market value of land and buildings

In the opinion of the directors the market value of land and buildings exceeds the current net book value.

Future developments

The company will continue to develop its core business and is actively seeking to secure new contracts.

Directors

The following directors have held office since 1 January 2001:

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

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 2001	**1 January 2001**
Mr J D Judd	630	630
Mrs S F Judd	30	30
Sir Jack Brabham OBE	-	-

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Blinkhorns be reappointed as auditors of the company will be put to the Annual General Meeting.

ENGINE DEVELOPMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2001

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;
- 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.

On behalf of the board

S. F. Judd

Mrs S F Judd
Director
18/10/02

ENGINE DEVELOPMENTS LIMITED

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ENGINE DEVELOPMENTS LIMITED

We have audited the financial statements of Engine Developments Limited on pages 4 to 14 for the year ended 31 December 2001. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom 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 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. However, as stated in note 1, due to their special 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 scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence towards the valuation 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 2001 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Blinkhorns

Blinkhorns

Registered Auditor

21 October 2002

27 Mortimer Street
London
W1T 3BL

ENGINE DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	2001 £	2000 £
Turnover	2	6,151,124	4,119,870
Cost of sales		(4,373,802)	(2,741,459)
Gross profit		1,777,322	1,378,411
Distribution costs		(219,422)	(225,040)
Administrative expenses		(1,515,105)	(1,047,180)
Operating profit	3	42,795	106,191
Other interest receivable and similar income		324,262	287,484
Interest payable and similar charges	4	(345,648)	(333,198)
Profit on ordinary activities before taxation		21,409	60,477
Tax on profit on ordinary activities	5	(99,077)	(4,082)
(Loss)/profit on ordinary activities after taxation	13	(77,668)	56,395

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

ENGINE DEVELOPMENTS LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2001

	Notes	2001 £	2001 £	2000 £	2000 £
Fixed assets					
Tangible assets	6		1,232,920		1,146,812
Investments	7		472,781		472,781
			1,705,701		1,619,593
Current assets					
Stocks	8	788,390		782,630	
Debtors	9	1,294,559		1,522,142	
Deferred tax asset	9	-		-	
Cash at bank and in hand		6,807,485		5,292,153	
		8,890,434		7,596,925	
Creditors: amounts falling due within one year	10	(8,297,190)		(6,942,905)	
Net current assets			593,244		654,020
Total assets less current liabilities			2,298,945		2,273,613
Provisions for liabilities and charges					
Deferred tax liability			(103,000)		-
			2,195,945		2,273,613
Capital and reserves					
Called up share capital	12		1,000		1,000
Profit and loss account	13		2,194,945		2,272,613
Shareholders' funds - equity interests	14		2,195,945		2,273,613

The financial statements were approved by the Board on 18/10/02

Mr J D Judd
Director

ENGINE DEVELOPMENTS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2001

	2001		2000	
	£	£	£	£
Net cash inflow from operating activities		1,745,515		806,648
Returns on investments and servicing of finance				
Interest received	324,262		287,484	
Interest paid	(345,648)		(333,198)	
Net cash outflow for returns on investments and servicing of finance		(21,386)		(45,714)
Taxation		3,418		(2,857)
Capital expenditure				
Payments to acquire tangible assets	(235,165)		(226,729)	
Receipts from sales of tangible assets	22,950		60,750	
Net cash outflow for capital expenditure		(212,215)		(165,979)
Net cash inflow before management of liquid resources and financing		1,515,332		592,098
Increase in cash in the year		1,515,332		592,098

ENGINE DEVELOPMENTS LIMITED

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2001

1 Reconciliation of operating profit to net cash inflow from operating activities

	2001	2000
	£	£
Operating profit	42,795	106,191
Depreciation of tangible assets	121,154	97,142
Loss on disposal of tangible assets	4,953	2,928
Increase in stocks	(5,760)	(99,072)
Decrease/(increase) in debtors	227,583	(90,594)
Increase in creditors within one year	1,354,790	790,053
Net cash inflow from operating activities	1,745,515	806,648

2 Analysis of net funds

	1 January 2001	Cash flow	Other non-cash changes	31 December 2001
	£	£	£	£
Net cash:				
Cash at bank and in hand	5,292,153	1,515,332	-	6,807,485
Net funds	5,292,153	1,515,332	-	6,807,485

3 Reconciliation of net cash flow to movement in net funds

	2001	2000
	£	£
Increase in cash in the year	1,515,332	592,098
Movement in net funds in the year	1,515,332	592,098
Opening net funds	5,292,153	4,700,055
Closing net funds	6,807,485	5,292,153

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Income from leased engines is recognised on a time apportionment basis.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land and buildings are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold land and buildings	not provided for
Plant and machinery	20% on a reducing balance basis
Fixtures, fittings & equipment	15% on a reducing balance basis
Motor vehicles	25% on a reducing balance basis

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

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.6 Stock

The company develops and manufactures specialist motor racing engines and 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.

1.7 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

1.8 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

ENGINE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2001

2 Turnover

Geographical market

	Turnover 2001	2000
	£	£
United Kingdom	1,285,929	1,163,479
Japan	220,127	13,585
United States of America	3,553,724	1,988,700
Rest of Europe	1,091,344	954,106
	6,151,124	4,119,870

3 Operating profit

	2001	2000
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	121,154	97,142
Loss on disposal of tangible assets	4,953	2,928
Loss on foreign exchange transactions	-	807
Auditors' remuneration	17,800	18,172
and after crediting:		
Profit on foreign exchange transactions	(1,666)	-

4 Interest payable

	2001	2000
	£	£
On other loans	345,359	331,900
Other interest	289	1,298
	345,648	333,198

5 Taxation	2001	2000
	£	£
Domestic current year tax		
U.K. corporation tax	3,687	4,192
Adjustment for prior years	(7,610)	(110)
Current tax charge	(3,923)	4,082
Deferred tax		
Deferred tax charge/credit current year	103,000	-
	99,077	4,082
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	21,409	60,477
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2000 : 20.00%)	4,282	12,095
Effects of:		
Non deductible expenses	58	258
Depreciation	25,221	20,014
Capital allowances	(25,729)	(27,677)
Adjustments to previous periods	(7,610)	(110)
Other tax adjustments	(145)	(498)
	(8,205)	(8,013)
Current tax charge	(3,923)	4,082

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2001

6 Tangible fixed assets

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2001	768,375	1,242,572	235,417	148,665	2,395,029
Additions	-	145,600	1,299	88,266	235,165
Disposals	-	-	-	(41,316)	(41,316)
At 31 December 2001	768,375	1,388,172	236,716	195,615	2,588,878
Depreciation					
At 1 January 2001	-	1,041,615	157,282	49,320	1,248,217
On disposals	-	-	-	(13,413)	(13,413)
Charge for the year	-	69,311	11,915	39,928	121,154
At 31 December 2001	-	1,110,926	169,197	75,835	1,355,958
Net book value					
At 31 December 2001	768,375	277,246	67,519	119,780	1,232,920
At 31 December 2000	768,375	200,957	78,135	99,345	1,146,812

7 Fixed asset investments

	Listed investments
	£
Cost	
At 1 January 2001 & at 31 December 2001	472,781

	Market value
	£
At 31 December 2001	1,982,957
At 31 December 2000	1,893,751

8	Stocks	2001	2000
		£	£
	Finished goods and goods for resale	788,390	782,630

9	Debtors	2001	2000
		£	£
	Trade debtors	1,259,880	1,323,654
	Other debtors	10,723	124,186
	Prepayments and accrued income	23,956	74,302
		1,294,559	1,522,142

10	Creditors: amounts falling due within one year	2001	2000
		£	£
	Trade creditors	207,887	463,261
	Corporation tax	3,687	4,192
	Other taxes and social security costs	1,089,267	453,361
	Directors' current accounts	4,713,292	4,767,211
	Other creditors	1,359,961	603,914
	Accruals and deferred income	923,096	650,966
		8,297,190	6,942,905

11 Pension costs

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £46,695 (2000 - £41,065). The number of directors included in the scheme is 1 (2000 - 1).

	2001	2000
	£	£
Contributions payable by the company for the year	46,695	41,065

ENGINE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2001

12 Share capital

	2001	2000
	£	£
Authorised		
1,000 Ordinary shares of £ 1 each	1,000	1,000
Allotted, called up and fully paid		
1,000 Ordinary shares of £ 1 each	1,000	1,000

13 Statement of movements on profit and loss account

	Profit and loss account
	£
Balance at 1 January 2001	2,272,613
Retained loss for the year	(77,668)
Balance at 31 December 2001	2,194,945

14 Reconciliation of movements in shareholders' funds

	2001	2000
	£	£
(Loss)/Profit for the financial year	(77,668)	56,395
Opening shareholders' funds	2,273,613	2,217,218
Closing shareholders' funds	2,195,945	2,273,613

15 Directors' emoluments

	2001	2000
	£	£
Emoluments for services	653,987	221,562

Emoluments disclosed above include the following amounts paid to the highest paid director:

	2001	2000
Emoluments for qualifying services	532,678	180,592

16 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2001 Number	2000 Number
Office and management	23	24
Manufacturing	29	20
	52	44

Employment costs

	£	£
Wages and salaries	3,523,507	1,792,411
Other pension costs	46,695	41,065
	3,570,202	1,833,476

17 Control

The ultimate controlling party is Mr J D Judd.