

ILMOR ENGINEERING LIMITED
AND ITS SUBSIDIARY UNDERTAKING
REGISTERED NUMBER 1760288
ACCOUNTS
30 NOVEMBER 1995

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ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

DIRECTORS' REPORT

The directors submit their report and the accounts for the year ended 30 November 1995.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts that give a true and fair view of the state of affairs of the company and of the profit or loss for its financial year. In doing so 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 accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the group is the development and production of motor car racing engines.

The development of the group's engines proceeded satisfactorily during the year and is expected to continue to do so in the forthcoming year.

The directors are satisfied with the financial position at 30 November 1995.

DIVIDENDS

It is proposed to restore a dividend payment absorbing £100,000 and the balance of £1,900,576 will be added to the retained profits brought forward.

DIRECTORS

The directors of the company, and the number of shares in which they had an interest, were:

		Ordinary shares of £1 each	
		30.11.1995	1.12.1994
P.J. Morgan	- England	2,500	2,500
M.J. Illien	- Switzerland	2,500	2,500
R.S. Penske	- U.S.A.	2,500	2,500
Dr C.A. Baubin	- Austria	-	-

CHARITABLE DONATIONS

The company made charitable donations of £8,416 during the year.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The company has maintained insurance against certain liabilities which could arise from a negligent act or breach of duty by its directors in the discharge of their duties.

AUDITORS

A resolution will be proposed at the annual general meeting to re-appoint Moores Rowland as auditors.

Approved by the board on 22 December 1995
and signed on its behalf by:



P J MORGAN

Director

Registered Office:
Quarry Road,
Brixworth,
Northamptonshire,
England.

AUDITORS' REPORT TO THE MEMBERS OF ILMOR ENGINEERING LIMITED

We have audited the accounts on pages four to thirteen.

Respective responsibilities of directors and auditors

As described in the directors' report the company's directors are responsible for the preparation of accounts. It is our responsibility as auditors to form an independent opinion, based on our audit, on those accounts 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. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 30 November 1995 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MOORES ROWLAND

Chartered Accountants
Registered Auditors
WALSALL

22 December 1995

ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 November 1995

	Notes	1995 £	1994 £
TURNOVER	2	40,508,627	23,646,792
Cost of sales		<u>(33,659,379)</u>	<u>(20,783,736)</u>
GROSS PROFIT		6,849,248	2,863,056
Administrative expenses		<u>(3,628,453)</u>	<u>(2,670,274)</u>
OPERATING PROFIT		3,220,795	192,782
Investment income	3	62,920	14,593
		<u>3,283,715</u>	<u>207,375</u>
Interest payable	4	<u>(228,789)</u>	<u>(158,497)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	2	3,054,926	48,878
Tax on profit on ordinary activities	6	<u>(1,054,350)</u>	<u>(20,520)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		2,000,576	28,358
Dividends	7	<u>(100,000)</u>	-
RETAINED PROFIT FOR THE YEAR		1,900,576	28,358
Retained profits at 30 November 1994		5,223,111	5,192,471
Exchange gain on translation		<u>35,757</u>	<u>2,282</u>
RETAINED PROFITS AT 30 NOVEMBER 1995		<u>7,159,444</u>	<u>5,223,111</u>

The group's operations are continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Profit for the financial year	2,000,576	28,358
Exchange gain on translation	<u>35,757</u>	<u>2,282</u>
	<u>2,036,333</u>	<u>30,640</u>


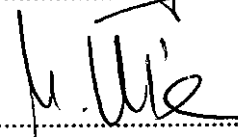
ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

CONSOLIDATED BALANCE SHEET

30 November 1995

	Notes	£	1995 £	£	1994 £
FIXED ASSETS					
Tangible assets	8		9,272,965		6,744,707
CURRENT ASSETS					
Stocks	10	3,969,294		4,596,822	
Debtors	11	1,403,364		2,221,853	
Cash at bank and in hand		2,788,151		601,171	
			<u>8,160,809</u>	<u>7,419,846</u>	
CREDITORS - amounts falling due within one year	12	(7,722,018)		(8,060,177)	
NET CURRENT ASSETS (LIABILITIES)			<u>438,791</u>		<u>(640,331)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>9,711,756</u>		<u>6,104,376</u>
CREDITORS - amounts falling due after more than one year	13	(2,047,312)		(466,265)	
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(495,000)</u>	<u>(2,542,312)</u>	<u>(405,000)</u>	<u>(871,265)</u>
			<u>7,169,444</u>		<u>5,233,111</u>
CAPITAL AND RESERVES					
Called up share capital	15		10,000		10,000
Profit and loss account			7,159,444		5,223,111
SHAREHOLDERS' FUNDS	20		<u>7,169,444</u>		<u>5,233,111</u>

Approved by the board on 22 December 1995
and signed on its behalf by:

P J MORGAN	)
.....)
)
M J ILLIEN	)
.....)
)

Directors


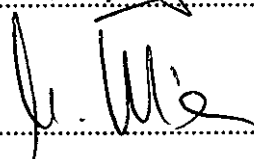
ILMOR ENGINEERING LIMITED

COMPANY BALANCE SHEET

30 November 1995

	Notes	£	1995 £	£	1994 £
FIXED ASSETS					
Tangible assets	8		9,048,918		6,706,131
Investments	9		41,363		41,363
			<u>9,090,281</u>		<u>6,747,494</u>
CURRENT ASSETS					
Stocks	10	3,969,294		4,596,822	
Debtors	11	2,207,684		2,333,265	
Cash in hand		994,140		1,708	
			<u>7,171,118</u>	<u>6,931,795</u>	
CREDITORS - amounts falling due within one year	12	(7,379,497)		(7,854,858)	
NET CURRENT LIABILITIES			<u>(208,379)</u>		<u>(923,063)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			8,881,902		5,824,431
CREDITORS - amounts falling due after more than one year	13	(2,047,312)		(466,265)	
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(495,000)</u>	<u>(2,542,312)</u>	<u>(405,000)</u>	<u>(871,265)</u>
			<u>6,339,590</u>		<u>4,953,166</u>
CAPITAL AND RESERVES					
Called up share capital	15		10,000		10,000
Profit and loss account			6,329,590		4,943,166
			<u>6,339,590</u>		<u>4,953,166</u>

Approved by the board on 22 December 1995
and signed on its behalf by:

P J MORGAN )
)
 M J ILLIEN )
)
) Directors

ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 November 1995

	£	1995 £	£	1994 £
NET CASH INFLOW FROM OPERATING ACTIVITIES				
Operating profit		3,220,795		192,782
Exchange differences		(12,654)		(11,847)
Depreciation		1,498,214		794,264
Profit on sale of fixed assets		-		(32,705)
Decrease in stock		627,528		193,767
Decrease (increase) in debtors		854,966		(928,917)
(Decrease) increase in creditors		(266,302)		2,983,667
		<u>5,922,547</u>		<u>3,191,011</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest receivable	62,920		14,593	
Interest paid	(228,789)		(158,497)	
Dividends paid	-		(100,000)	
		<u>-</u>		<u>(100,000)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
		(165,869)		(243,904)
TAXATION				
Corporation tax paid		(359,460)		(77,424)
INVESTING ACTIVITIES				
Payments to acquire tangible fixed assets	(4,026,472)		(2,562,968)	
Hire purchase and finance leases on tangible fixed assets	2,697,661		276,944	
Receipts from sales of tangible fixed assets	-		42,325	
		<u>-</u>		<u>42,325</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES				
		(1,328,811)		(2,243,699)
NET CASH INFLOW BEFORE FINANCING				
		<u>4,068,407</u>		<u>625,984</u>
FINANCING				
Capital element of hire purchase and finance lease rentals paid	717,224		384,925	
		<u>717,224</u>		<u>384,925</u>
NET CASH OUTFLOW FROM FINANCING				
		717,224		384,925
INCREASE IN CASH AND CASH EQUIVALENTS				
		<u>3,351,183</u>		<u>241,059</u>
		<u>4,068,407</u>		<u>625,984</u>
ANALYSIS OF INCREASE IN CASH AND CASH EQUIVALENTS				
Bank overdraft - decrease		1,258,971		82,597
Cash at bank and in hand - increase		2,092,212		158,462
		<u>3,351,183</u>		<u>241,059</u>

NOTES TO THE ACCOUNTS

Year ended 30 November 1995

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Investment

The consolidated profit and loss account includes the results for its subsidiary undertaking which are prepared to the same date and are translated at the year end rate. The balance sheet of the subsidiary is translated into sterling at the rate ruling at the year end. Exchange differences arising on translation are dealt with through the profit and loss account.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the date of each transaction. Exchange differences arising from settlement of trading indebtedness are included in operating profit.

Depreciation of tangible fixed assets

Fixed assets, other than freehold land, are being depreciated on the straight line basis, commencing in the month after acquisition, so as to write them off over their anticipated useful lives at the following annual rates:

Buildings	2% - 15%
Plant, fixtures and vehicles	15% - 50%

Stocks

Stocks are valued at the lower of cost and net realisable value with due allowance for any obsolete or slow moving items. Work in progress and finished goods include an appropriate proportion of overhead expenses.

Research and development

Development costs are written off as incurred.

Deferred tax

Deferred tax is calculated under the liability method and provision is made to the extent that it is considered probable a liability will crystallise.

Operating leases

Operating lease rentals are charged to the profit and loss account on the straight line basis over the periods of the leases.

Hire purchase contracts and finance leases

Assets held under hire purchase contracts and finance leases which confer rights and obligations similar to those attaching to owned assets are capitalised as tangible fixed assets and the corresponding liability to pay instalments is shown net of interest in the accounts as obligations under hire purchase contracts and finance leases. The interest element of the instalments is calculated on a reducing balance basis over the period of the contract.

Pension costs

The company operates a money purchase pension scheme and contributions are charged to the profit and loss account as incurred.

ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

NOTES TO THE ACCOUNTS (continued)

Year ended 30 November 1995

2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Turnover and profit on ordinary activities are attributable to the principal activity of the group. The directors do not consider it in the interests of the group to give a geographical analysis of turnover.

	1995	1994
	£	£
Profit on ordinary activities before tax is stated after charging (crediting):		
Directors' emoluments as executives (note 5)	1,599,899	1,281,801
Auditors' remuneration		
- audit	15,000	12,000
- non-audit work	21,350	24,824
Depreciation of tangible assets		
- owned	1,080,561	590,324
- held under hire purchase contracts and finance leases	417,653	203,940
Profit on sale of fixed assets	-	(32,705)
Operating lease - rental of buildings	29,500	36,029
Hire of plant and machinery	51,698	42,045
	<u> </u>	<u> </u>

3. INVESTMENT INCOME

Bank interest	62,920	14,593
	<u> </u>	<u> </u>

4. INTEREST PAYABLE

Interest on bank loan and overdraft wholly repayable within 5 years	5,168	97,707
Hire purchase and finance lease interest	213,631	60,790
Other interest	9,990	-
	<u> </u>	<u> </u>
	228,789	158,497
	<u> </u>	<u> </u>

5. DIRECTORS AND EMPLOYEES

The individual directors emoluments, excluding pension contributions, included:

	1995	1994
	£	£
Chairman	453,596	236,848
Highest paid director	899,978	819,987
	<u> </u>	<u> </u>
	Number	Number
Other directors in the range:		
£0 - £5,000	2	3
	<u> </u>	<u> </u>

The average number of persons employed by the group during the year was:

Production	204	148
Administration	8	7
	<u> </u>	<u> </u>
	212	155
	<u> </u>	<u> </u>
Costs include:	£	£
Wages and salaries	6,013,758	4,661,268
Social security costs	611,709	459,843
Pension costs	727,650	579,584
	<u> </u>	<u> </u>
	7,353,117	5,700,695
	<u> </u>	<u> </u>

ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

NOTES TO THE ACCOUNTS (continued)

Year ended 30 November 1995

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1995 £	1994 £
Corporation tax (recoverable) at 33%	883,850	(176,000)
Overseas tax	55,500	64,520
Deferred tax (note 14)	115,000	132,000
	<u>1,054,350</u>	<u>20,520</u>

7. DIVIDENDS

Final proposed - £10 per share	<u>100,000</u>	<u>-</u>
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8. TANGIBLE FIXED ASSETS - GROUP

	Freehold land & buildings £	Plant, fixtures & vehicles £	Total £
Cost			
At 30 November 1994	2,981,469	7,531,606	10,513,075
Additions	290,758	3,735,714	4,026,472
Disposals	-	(159,206)	(159,206)
	<u>3,272,227</u>	<u>11,108,114</u>	<u>14,380,341</u>
Depreciation			
At 30 November 1994	272,382	3,495,986	3,768,368
Charge for the year	66,154	1,432,060	1,498,214
Disposals	-	(159,206)	(159,206)
	<u>338,536</u>	<u>4,768,840</u>	<u>5,107,376</u>
Net book value			
At 30 November 1995	<u>2,933,691</u>	<u>6,339,274</u>	<u>9,272,965</u>
At 30 November 1994	<u>2,709,087</u>	<u>4,035,620</u>	<u>6,744,707</u>

The net book value of plant, fixtures & vehicles includes £2,812,915 (1994 - £888,696) in respect of assets held under hire purchase contracts and finance leases.

ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

NOTES TO THE ACCOUNTS (continued)

Year ended 30 November 1995

8. TANGIBLE FIXED ASSETS (continued)
PARENT

	Freehold land & buildings £	Plant, fixtures & vehicles £	Total £
Cost			
At 30 November 1994	2,981,469	7,359,921	10,341,390
Additions	290,758	3,479,661	3,770,419
Disposals	-	(159,206)	(159,206)
At 30 November 1995	<u>3,272,227</u>	<u>10,680,376</u>	<u>13,952,603</u>
Depreciation			
At 30 November 1994	272,382	3,362,877	3,635,259
Charge for the year	66,154	1,361,478	1,427,632
Disposals	-	(159,206)	(159,206)
At 30 November 1995	<u>338,536</u>	<u>4,565,149</u>	<u>4,903,685</u>
Net book value			
At 30 November 1995	<u>2,933,691</u>	<u>6,115,227</u>	<u>9,048,918</u>
At 30 November 1994	<u>2,709,087</u>	<u>3,997,044</u>	<u>6,706,131</u>

The net book value of plant, fixtures & vehicles includes £2,812,915 (1994 - £888,696) in respect of assets held under hire purchase contracts and finance leases.

9. INVESTMENTS
PARENT

	£
Investment in subsidiary undertaking	
At 30 November 1994 and 30 November 1995	<u>41,363</u>

The subsidiary undertaking, Ilmor AG, is wholly owned and is registered and operates in Switzerland and has similar activities to its parent company.

10. STOCKS

	1995 £	1994 £
Raw materials and bought in parts	190,669	219,395
Work in progress	1,097,541	1,355,074
Manufactured parts and finished goods	2,681,084	3,022,353
	<u>3,969,294</u>	<u>4,596,822</u>

ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

NOTES TO THE ACCOUNTS (continued)

Year ended 30 November 1995

11. DEBTORS	GROUP 1995 £	PARENT 1995 £	GROUP 1994 £	PARENT 1994 £
Trade debtors	496,660	499,719	1,671,162	1,782,774
Group undertaking	-	807,616	-	-
Tax and social security	476,082	476,082	299,619	299,619
Other debtors	327,459	327,459	177,166	176,966
Prepayments and accrued income	67,232	67,182	52,216	52,216
	<u>1,367,433</u>	<u>2,178,058</u>	<u>2,200,163</u>	<u>2,311,575</u>
Tax	35,931	29,626	21,690	21,690
	<u>1,403,364</u>	<u>2,207,684</u>	<u>2,221,853</u>	<u>2,333,265</u>
12. CREDITORS - amounts falling due within one year				
Trade creditors	4,308,458	4,301,043	2,252,593	2,252,593
Tax and social security	307,440	302,268	303,074	220,823
Accruals	1,236,211	1,222,285	1,022,954	1,013,334
Other creditors	-	-	2,117,500	2,117,500
Payments received on account	-	-	367,917	367,917
	<u>5,852,109</u>	<u>5,825,596</u>	<u>6,064,038</u>	<u>5,972,167</u>
Obligations under hire purchase contracts and finance leases	651,026	651,026	251,636	251,636
Corporation and similar tax	1,118,883	802,875	485,532	372,084
Bank overdraft	-	-	1,258,971	1,258,971
Proposed dividend	100,000	100,000	-	-
	<u>7,772,018</u>	<u>7,379,497</u>	<u>8,060,177</u>	<u>7,854,858</u>

The bank overdraft is secured by a mortgage over the land and buildings.

13. CREDITORS - amounts falling due after more than one year	1995 £	1994 £
Obligations under hire purchase contracts and finance leases	<u>2,047,312</u>	<u>466,265</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax		
At 30 November 1994	405,000	273,000
Charge for the year	115,000	132,000
	<u>520,000</u>	<u>405,000</u>
At 30 November 1995	520,000	405,000
Less: advance corporation tax recoverable	25,000	-
	<u>495,000</u>	<u>405,000</u>

The deferred tax provision at 33% comprises the excess of capital allowances over depreciation charged.

15. CALLED UP SHARE CAPITAL	1995 £	1994 £
Authorised, allotted and fully paid: Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

NOTES TO THE ACCOUNTS (continued)

Year ended 30 November 1995

16. DIRECTORS' INTERESTS IN TRANSACTIONS DURING THE YEAR

By virtue of shareholding:	Sales by group £	Purchases by group £
Mr R S Penske was interested in: Penske Racing Inc.	-	257,210
Messrs P J Morgan, M J Illien and R S Penske were interested in: Ilmor Engineering Inc.	1,727,316	2,908,303

17. PROFIT (LOSS) FOR THE FINANCIAL YEAR

The company has not presented its own profit and loss account, as permitted by Section 230 of the Companies Act 1985. The profit for the financial year included in the accounts of the company amounted to £1,486,424 (1994 - loss - £32,035).

18. FUTURE CAPITAL EXPENDITURE

Capital expenditure on fixed assets authorised by the directors at the year end but not provided for in the accounts was as follows:	1995 £	1994 £
Contracts placed	3,815,156	1,047,037
Contracts not placed	-	530,000

19. FINANCIAL COMMITMENTS

There are obligations under operating leases to pay rentals during the next year which expire:

	1995 Land and buildings £	1995 Other £	1994 Land and buildings £	1994 Other £
Within one year	2,667	5,833	28,000	6,145
Between one and five years	-	5,577	22,667	22,308
More than five years	26,500	-	-	-
	<u>29,167</u>	<u>11,410</u>	<u>50,667</u>	<u>28,453</u>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995 £	1994 £
Profit for the year	2,000,576	28,358
Dividends	(100,000)	-
Exchange gain on translation	35,757	2,282
	<u>1,936,333</u>	<u>30,640</u>
Shareholders' funds at 30 November 1994	5,233,111	5,202,471
	<u>7,169,444</u>	<u>5,233,111</u>
Shareholders' funds at 30 November 1995		