

**RICARDO MTC LTD**



**RICARDO MTC LTD**

**Report and Financial Statements**

**30 June 2000**

**Company Registration No. 1029568**



**REPORT AND FINANCIAL STATEMENTS 2000**

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**REPORT AND FINANCIAL STATEMENTS 2000**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

R.J. Westhead  
G.A. Andrews  
M.S. Barge  
A.R. Goodburn  
C. Hickman  
C.S. Lawrence  
D.R.T. Oglethorpe  
L.M. Sykes

**SECRETARY**

D.R.T. Oglethorpe

**REGISTERED OFFICE**

Southam Road  
Radford Semele  
Leamington Spa  
Warwickshire  
CV31 1FQ

**BANKERS**

Lloyds TSB Bank plc  
55 Corn Street  
Bristol  
BS99 7LE

**SOLICITORS**

Wragge & Co  
55 Colmore Row  
Birmingham  
B3 2AS

**AUDITORS**

PricewaterhouseCoopers  
The Quay  
30 Channel Way  
Ocean Village  
Southampton  
Hants  
SO14 3QG

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 June 2000.

## **ACTIVITIES**

The principal activities of the company are automotive design and engineering, specialising in chassis, driveline and transmissions.

## **REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

Current year trading results were not as good as the previous year due to certain projects coming to an end. Order books have subsequently increased during the year and the company is in a good position for the next financial year.

## **DIVIDENDS AND TRANSFERS TO RESERVES**

An ordinary dividend of £101,000 was paid during the year. The profit for the year of £29.153 (1999: £494,952) has been transferred to reserves.

## **DIRECTORS AND THEIR INTERESTS**

R.J. Westhead	
G.A. Andrews	
M.S. Barge	
A.R. Goodburn	
C. Hickman	(appointed 5 <sup>th</sup> May 2000)
C.S. Lawrence	
M.L. Monaghan	(resigned 5 <sup>th</sup> May 2000)
D.R.T. Oglethorpe	
L.M. Sykes	

The interests of R.J. Westhead and A.R. Goodburn in the shares of Ricardo plc, the ultimate parent company, are disclosed in the accounts of that company.

**DIRECTORS' REPORT (continued)****DIRECTORS AND THEIR INTERESTS (CONTINUED)**

The interests of the other directors who held office at the end of the year in the shares and options over shares of Ricardo plc were as follows:-

	Ordinary shares of 25p each at 30 June 2000	Ordinary shares of 25p each at 30 June 1999
G.A. Andrews	28,034	30,000
D.R.T. Oglethorpe	2,740	844

No other directors held shares at the above dates.

	Share options over ordinary shares of 25p each at 30 June 2000	Granted in the year**	Exercised in the year	Share options over ordinary shares of 25p each at 30 June 1999
G.A. Andrews	15,757	2,752	(11,274)	24,279
M.S. Barge	5,757	2,752	(2,818)	5,823
C. Hickman	3,440	3,440	-	- *
D.R.T. Oglethorpe	4,450	2,752	(5,691)	7,389
L.M. Sykes	3,440	3,440	(2,818)	2,818

\* at date of appointment

\*\* under an Inland Revenue approved employee share option scheme

The above share options are exercisable at 114.0p, 114.8p and 281.6p between July 2000 and March 2006.

**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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

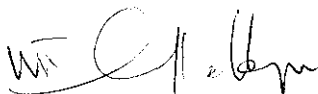
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**DIRECTORS' REPORT (continued)**

**AUDITORS**

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board by



D.R.T. Oglethorpe  
Company Secretary

3rd October 2000

**AUDITORS' REPORT TO THE MEMBERS OF  
RICARDO MTC LTD**

We have audited the financial statements on pages 6 to 17.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

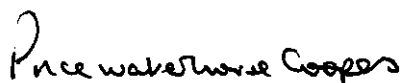
**Basis of audit opinion**

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PRICEWATERHOUSECOOPERS**  
Chartered Accountants  
& Registered Auditors  
Southampton

3rd October 2000

**PROFIT AND LOSS ACCOUNT**  
**Year ended 30 June 2000**

	Notes	Year Ended 30 June 2000 £	Year Ended 30 June 1999 £
<b>TURNOVER</b>	2	15,294,613	13,394,107
Cost of sales		(10,248,592)	(8,383,319)
Gross profit		5,046,021	5,010,788
Administrative expenses		(4,731,340)	(4,374,847)
<b>OPERATING PROFIT</b>	4	314,681	635,941
Interest receivable and similar income		29,951	17,348
Interest payable		(37,985)	(6,216)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		306,647	647,073
Tax on profit on ordinary activities	5	(176,494)	(152,121)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		130,153	494,952
Interim dividends		(101,000)	-
<b>RETAINED PROFIT FOR THE YEAR</b>		29,153	494,952
<b>RETAINED PROFIT BROUGHT FORWARD</b>		5,369,992	4,875,040
<b>RETAINED PROFIT CARRIED FORWARD</b>	12	5,399,145	5,369,992

All of the above relate to continuing activities.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year, stated above, and their historical cost equivalents.

There are no recognised gains or losses for the current and prior period other than as stated above.

The notes on pages 8 to 17 form part of these accounts.



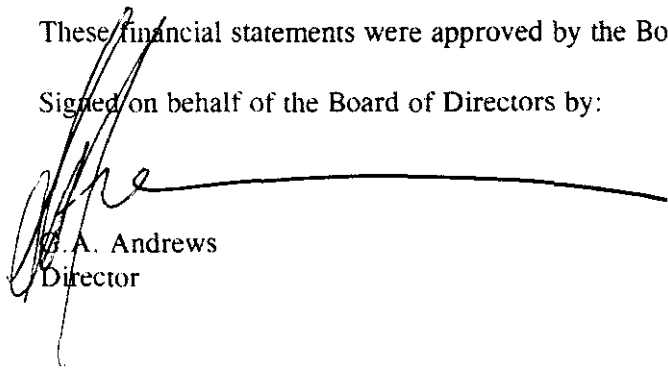
**BALANCE SHEET**  
**30 June 2000**

	Notes	30 June 2000 £	30 June 1999 £
<b>FIXED ASSETS</b>			
Tangible assets	6	4,145,691	2,486,807
<b>CURRENT ASSETS</b>			
Stocks	7	500,189	725,598
Debtors	8	7,269,561	6,446,807
Cash at bank and in hand		38,546	702,051
		7,808,296	7,874,456
<b>CREDITORS: amounts falling due within one year</b>	9	(6,339,231)	(4,900,073)
<b>NET CURRENT ASSETS</b>		1,469,065	2,974,383
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		5,614,756	5,461,190
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	10	(200,611)	(76,198)
<b>NET ASSETS</b>		5,414,145	5,384,992
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	11,000	11,000
Share premium account		4,000	4,000
Profit and loss account	12	5,399,145	5,369,992
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	13	5,414,145	5,384,992

The notes on pages 8 to 17 form part of these accounts.

These financial statements were approved by the Board of Directors on 3<sup>rd</sup> October 2000.

Signed on behalf of the Board of Directors by:



B. A. Andrews  
Director

**NOTES TO THE ACCOUNTS****Year ended 30 June 2000****1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

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

**Turnover**

Turnover comprises sales to customers excluding VAT.

On contracts, the company records transactions as sales on the basis of value of work done with the corresponding amount being included in debtors as amounts recoverable on contracts. Advance payments received from customers are included in creditors and amounts are set off against the value of work undertaken as the contracts progress.

**Tangible fixed assets**

Depreciation is provided to write off the value (being cost less estimated residual value) of tangible fixed assets over their estimated useful lives as follows:

Short leasehold property	- over the term of the lease
Plant and machinery	- between 5 and 10 years
Fixtures, fittings and equipment including computer aided design equipment	- between 3 and 10 years
Motor vehicles	- between 4 and 5 years

**Stocks and work in progress**

Stocks are stated at the lower of cost, including attributable overheads, and net realisable value. Contract work in progress is stated at cost, including attributable overheads, less any foreseeable losses and progress payments receivable.

Pre-production and development costs relating to specific contracts are included in work in progress to the extent that they are recoverable.

**NOTES TO THE ACCOUNTS (continued)**

**Year ended 30 June 2000**

**Research and development**

Expenditure on research and development is written off in the year in which it is incurred.

**Foreign exchange**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange gains and losses arising in the normal course of trading are dealt with in the profit and loss account.

**Deferred taxation**

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

**Leases**

The costs of operating leases are dealt with by way of a charge to profit and loss account as incurred.

**Pension costs**

The pension cost for the Ricardo plc group's defined contribution scheme is charged against profits in the year in which it is incurred.

The expected cost of pensions in respect of the Ricardo plc group's defined benefit pension scheme is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme.

The pension cost of the group's defined benefit pension scheme is assessed in accordance with the advice of qualified actuaries. Variations from the regular cost are spread over the expected remaining service lives of current employees in the scheme.

**Cash Flow Statement**

The company is a wholly owned subsidiary of Ricardo plc and is included within the consolidated financial statements of Ricardo plc, consequently the company has taken advantage of the exemption within FRS 1 (revised 1996) and not published its own cashflow statement.

**NOTES TO THE ACCOUNTS (continued)****Year ended 30 June 2000****2. TURNOVER**

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax profit is attributable to one activity, automotive design and engineering.

<b>Turnover by customer</b>	<b>Year Ended 30 June 2000 £</b>	<b>Year Ended 30 June 1999 £</b>
Third party sales	13,245,612	11,971,090
To group companies	2,049,001	1,423,017
	<u>15,294,613</u>	<u>13,394,107</u>

<b>Turnover by markets supplied</b>	<b>Year Ended 30 June 2000 £</b>	<b>Year Ended 30 June 1999 £</b>
United Kingdom	4,971,080	3,553,640
Europe	7,711,947	7,574,507
USA	2,348,429	1,588,592
Rest of world	263,157	677,368
	<u>15,294,613</u>	<u>13,394,107</u>

**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 30 June 2000**

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	Year Ended 30 June 2000 £	Year Ended 30 June 1999 £
<b>Directors' Emoluments</b>		
Aggregate emoluments	455,146	407,001
Company contributions paid to money purchase pension schemes	10,663	10,816
<b>Highest Paid Director</b>		
Total amount of emoluments	122,407	121,162
Company contributions paid to money purchase pension schemes	4,445	4,466
<b>The number of directors to whom retirement benefits are accruing were as follows :</b>		
	No.	No.
Under Money Purchase Schemes	3	3
Under Defined Benefit Scheme	2	2
<b>Average number of persons employed</b>		
Production and engineering staff	124	107
Management, administration and sales staff	40	36
	<u>164</u>	<u>143</u>
<b>Staff Costs during the year (including directors)</b>		
	£	£
Wages and salaries	5,160,155	4,218,097
Social security costs	533,742	385,313
Pension costs	140,969	114,278
	<u>5,834,866</u>	<u>4,717,688</u>

**NOTES TO THE ACCOUNTS (continued)**

Year ended 30 June 2000

**4. OPERATING PROFIT**

	Year Ended 30 June 2000 £	Year Ended 30 June 1999 £
Operating profit is stated after charging:		
Depreciation	756,869	469,454
Rentals under operating leases		
Hire of plant and machinery	323,728	241,685
Other operating leases	169,835	163,670
Auditors' remuneration		
Audit Fees	18,000	17,700

**5. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	Year Ended 30 June 2000 £	Year Ended 30 June 1999 £
United Kingdom corporation tax at 30% (1999 30.75%) based on the profit for the year	55,269	165,923
Deferred taxation	124,413	(13,802)
Adjustments in respect of prior years	(3,188)	-
	<u>176,494</u>	<u>152,121</u>

**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 30 June 2000**

**6. TANGIBLE FIXED ASSETS**

	Short Leasehold Property £	Plant and Machinery £	Fixtures, Fittings & Equipment £	Total £
<b>Cost</b>				
At 1 July 1999	824	1,532,366	2,717,415	4,250,605
Reclassification	-	(12,100)	12,100	-
Additions	19,013	1,980,577	418,663	2,418,253
Disposals	-	(18,100)	-	(18,100)
At 30 June 2000	19,837	3,482,743	3,148,178	6,650,758
<b>Accumulated depreciation</b>				
At 1 July 1999	10	559,059	1,204,729	1,763,798
Reclassification	-	(10,112)	10,112	-
Depreciation charge for the year	1,270	212,155	543,444	765,869
Disposals	-	(15,600)	-	(15,600)
At 30 June 2000	1,280	745,502	1,758,285	2,505,067
<b>Net book amount</b>				
At 30 June 2000	18,557	2,737,241	1,389,893	4,145,691
At 30 June 1999	814	973,307	1,512,686	2,486,807

**NOTES TO THE ACCOUNTS (continued)**

Year ended 30 June 2000

**7. STOCKS**

	2000 £	1999 £
Raw materials and consumables	420,107	548,287
Work-in-progress	99,254	261,709
Payments on account	(19,172)	(84,398)
	<u>500,189</u>	<u>725,598</u>

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

**8. DEBTORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2000 £	1999 £
Trade debtors	2,742,444	3,270,958
Amounts owed by group undertakings	2,364,635	2,214,640
Other debtors	2,439	12,151
Prepayments and accrued income	275,176	260,327
Amounts recoverable on contracts	1,884,867	688,731
	<u>7,269,561</u>	<u>6,446,807</u>

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2000 £	1999 £
Overdrafts	1,374,610	-
Payments received on account	1,098,899	1,639,416
Trade creditors	1,315,757	827,511
Amounts owed to group undertakings	598,337	470,516
Corporation tax	195,269	145,800
Other taxes and social security	16,762	286,049
Other creditors	61,210	68,835
Accruals and deferred income	1,678,387	1,461,946
	<u>6,339,231</u>	<u>4,900,073</u>



**NOTES TO THE ACCOUNTS (continued)**

**Year ended 30 June 2000**

**10. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Deferred Taxation £</b>
Balance at 1 July 1999	76,198
Profit and loss charge	<u>124,413</u>
Balance at 30 June 2000	<u><u>200,611</u></u>

The amounts of deferred tax provided in the accounts and the amounts not provided are as follows:-

	<b>Provided 2000 £</b>	<b>Provided 1999 £</b>	<b>Not Provided 2000 £</b>	<b>Not Provided 1999 £</b>
Capital allowances	208,778	76,198	-	-
Other timing differences	(8,167)	-	-	-
	<u>200,611</u>	<u>76,198</u>	<u>-</u>	<u>-</u>

**11. CALLED UP SHARE CAPITAL**

	<b>2000 £</b>	<b>1999 £</b>
Authorised		
Ordinary shares of £1 each	<u>11,000</u>	<u>11,000</u>
Called up, allotted and fully paid		
Ordinary shares of £1 each	<u>11,000</u>	<u>11,000</u>

**12. PROFIT & LOSS ACCOUNT**

	<b>2000 £</b>	<b>1999 £</b>
Retained profit brought forward	5,369,992	4,875,040
Profit for the year	<u>29,153</u>	<u>494,952</u>
Retained profit carried forward	<u><u>5,399,145</u></u>	<u><u>5,369,992</u></u>

**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 30 June 2000**

**13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2000 £	1999 £
Profit for the financial year	29,153	494,952
Net addition to shareholders' funds	29,153	494,952
Opening shareholders' funds	5,384,992	4,890,040
Closing shareholders' funds	5,414,145	5,384,992

**14. FINANCIAL COMMITMENTS**

	2000 £	1999 £
<b>Capital commitments</b>		
Contracted but not provided for	1,023,391	128,564
<b>Operating lease commitments</b>		
	Land and Buildings £	Other £
Annual commitments under leases which expire:-		
Within one year	-	55,707
Within 2 to 5 years	23,500	204,814
After 5 years	-	-
	23,500	260,521

**NOTES TO THE ACCOUNTS (continued)**  
**Year ended 30 June 2000**

**15. PENSION SCHEMES**

The company operates a defined contribution pension scheme for most employees.

A group defined benefit scheme is also operated of which certain employees are members. Contributions to this scheme are based on group pension costs. Further details of the scheme can be found in the financial statements of Ricardo plc.

The total cost incurred under the two schemes was £140,969 (1999: £114,278).

**16. CONTINGENT LIABILITIES**

The company has given an unlimited guarantee in respect of the bank overdrafts of other group companies which amounted to £Nil at 30 June 2000 (30 June 1999: £4,708,075).

**17. ULTIMATE PARENT COMPANY**

The ultimate parent company is Ricardo plc a company incorporated in England and Wales. Copies of the Ricardo plc financial statements are available from Ricardo plc, Southam Road, Radford Semele, Leamington Spa, Warwickshire, CV31 1FQ

**18. RELATED PARTY TRANSACTIONS**

Advantage has been taken of the exemption available under FRS8 to dispense with the requirement to disclose transactions with fellow subsidiaries, 90% or more whose voting rights are held with the Group, and which are included within the consolidated financial statements of Ricardo plc.