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M ¹⁴ P-P DEVELOPMENTS LIMITED

Report and Financial Statements
31 December 1988

F F DEVELOPMENTS LIMITED

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Directors

S R Rolt

Chairman

J T Braithwaite

R M Price

A P R Rolt

T Stallkamp

D D Hunter

Secretary

A J Cooke

Registered office

**Wolston Business Park
Main Street
Wolston
Coventry
CV8 3LR**

Bankers

**Barclays Bank plc
513 Fletchamstead Highway
Coventry
CV4 9EJ**

Auditors

**Peat Marwick McLintock
Chartered Accountants
Station Street Buildings
Huddersfield
HD1 1LZ**

Report of the Directors

	£	£
Result and dividend		
The profit on ordinary activities after taxation for the year ended 31 December 1988 amounted to		461 898
The directors recommend the following dividends:		
New 'A' ordinary dividend of £6.091 per share	34 170	
'B' ordinary dividend of £6.091 per share	<u>32 830</u>	<u>67 000</u>
Leaving an unappropriated profit of which is added to reserves.		<u>394 898</u>
Principal activities		
The principal activities of the company are automobile engineering, the conversion of vehicles to all-wheel-drive, design and manufacture of transmissions and viscous couplings.		
Review of the year and future developments		
Although sales volume in 1988 was an all time record, profit margins were reduced due to the nature of much of the work undertaken.		
Prospects for 1989 and the future are satisfactory.		
Fixed assets		
The company has purchased fixed assets of £263 137 during the year being primarily plant and machinery required for the continued expansion of the business.		
Share capital		
The share capital of the company was restructured on 15 January 1988 (see note 15 to the financial statements).		
Directors		
The directors named on page 1 served throughout the year with the exception of Mr Hunter who was appointed on 15 January 1988 and Mr Stallkamp who was appointed on 1 September 1988. Additionally Mr L H Runk was appointed as a director on 15 January 1988 and served until his resignation on 31 August 1988.		

Report of the Directors continued

Directors continued

Interests

The interests of the directors in the new 'A' ordinary shares (formerly ordinary shares and 'A' ordinary shares) of the company are set out below:-

	Number of shares	
	31 December 1988	31 December 1987 or at date of appointment
S R Rolt	5 610	8 900
J T Braithwaite	-	200
R M Price	-	100

No other director had an interest in the new 'A' ordinary shares. No director held any interest in the 'B' ordinary shares of the company at any time during the year.

A partner in Peat Marwick McLintock has a non-beneficial interest as trustee in 2 556 new 'A' ordinary shares of the company.

Auditors

The company's auditors, Peat Marwick McLintock are willing to continue in office and a resolution proposing their re-appointment and authorising the directors to fix their remuneration will be put to the annual general meeting.

Signed on behalf of the board


S R Rolt
J T Braithwaite

Directors

9 March 1989

**Report of the Auditors
To the members of F F Developments Limited**

We have audited the financial statements on pages 5 to 12 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1988 and of the profit and source and application of funds of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Peat Marwick McLintock

Chartered Accountants

Huddersfield

9 March 1989

F F DEVELOPMENTS LIMITED
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**Profit and Loss Account
for the year ended 31 December 1988**

	Notes	1988		1987	
		£	£	£	£
Turnover	2		4 862 536		3 597 191
Cost of sales			3 392 440		2 060 406
Gross profit			<u>1 470 096</u>		<u>1 536 785</u>
Distribution and selling costs		438 354		382 893	
Administrative expenses		<u>448 884</u>	<u>887 238</u>	<u>444 857</u>	<u>827 750</u>
Operating profit	3		582 858		709 035
Income from current asset investments		3 277		555	
Interest receivable and similar income		<u>101 015</u>	<u>104 292</u>	<u>104 117</u>	<u>104 672</u>
			687 150		813 707
Release of provision/(amounts written off) investments	5	10 577		(48 853)	
Interest payable		<u>(845)</u>	<u>9 732</u>	<u>(50)</u>	<u>(48 903)</u>
Profit on ordinary activities before taxation			696 882		764 804
Tax on profit on ordinary activities	6		234 984		299 870
Profit on ordinary activities after taxation			<u>461 898</u>		<u>464 934</u>
Proposed dividends	7		67 000		64 000
Retained profit			394 898		400 934
Balance brought forward			1 375 068		974 134
Balance carried forward			<u>1 769 966</u>		<u>1 375 068</u>

F F DEVELOPMENTS LIMITED

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Balance Sheet 31 December 1988

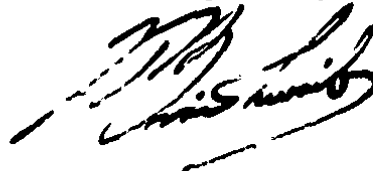
	Notes	1988	1987
		£	£
Fixed assets			
Tangible assets	8	384 599	244 693
Investments	9	575	-
		<u>385 174</u>	<u>244 693</u>
Current assets			
Stocks	10	187 086	124 226
Debtors	11	1 337 133	759 286
Investments	12	121 321	134 762
Cash at bank and in hand		1 061 434	1 065 845
		<u>2 706 974</u>	<u>2 084 119</u>
Creditors (amounts falling due within one year)	13	<u>1 307 182</u>	<u>938 744</u>
Net current assets		1 399 792	1 145 375
Total assets less current liabilities		<u>1 784 966</u>	<u>1 390 068</u>
Capital and reserves			
Called up share capital	15	11 000	11 000
Share premium account		4 000	4 000
Profit and loss account		1 769 966	1 375 068
		<u>1 784 966</u>	<u>1 390 068</u>

The financial statements on pages 5 to 12 were approved by the board of directors on 9 March 1989 and signed on its behalf by:

S R Rolc

J T Braithwaite

Directors

F F DEVELOPMENTS LIMITED

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**Statement of Source and Application of Funds
for the year ended 31 December 1988**

	1988		1987	
	£	£	£	£
Source of funds				
Profit on ordinary activities before taxation		696 882		764 804
Adjustment for items not involving the movement of funds				
Depreciation	106 306		73 723	
(Profit)/loss on sale of fixed assets	(18 658)		7 890	
(Increase)/decrease in provision for diminution of value of investments	(10 577)		48 853	
Loss on sale of investments	1 591	78 662	-	130 466
Total generated from operations		775 544		895 270
Funds from other sources				
Proceeds of sale of investments	22 427		-	
Proceeds of sale of fixed assets	35 583	58 010	15 256	15 256
Total funds		833 554		910 256
Application of funds				
Dividends paid	64 000		50 000	
Tax paid	323 846		401 011	
Purchase of fixed assets	263 137		190 400	
Purchase of investments	-		183 615	
Investment in subsidiary	575		-	
Loan to subsidiary	9 425	(660 983)	-	(825 026)
Net source of funds		172 571		85 230
Movements in working capital				
Stocks - increase/(decrease)	62 860		(126 122)	
Debtors - increase	592 672		341 014	
Creditors - (increase)	(478 550)	176 982	(117 676)	97 216
Movements in net liquid funds				
Cash at bank and in hand - (decrease)		(4 411)		(11 986)
Increase in working capital		172 571		85 230

F F DEVELOPMENTS LIMITED

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Notes to the Financial Statements

1988
£

1987
£

1 Accounting policies

The company has adopted the following accounting policies which should be read in conjunction with the financial statements set out on pages 5 to 12 which have been prepared under the historical cost convention.

Turnover

Turnover represents the invoice value of goods and services sold less returns and allowances, excluding value added tax, together with the value of work done on long term work in progress.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated to write off fixed assets over their estimated useful lives at the following annual rates:-

Plant and machinery etc	15% on cost
Building alterations	15% on cost
Motor vehicles	25% on cost

Stocks

Stocks and work in progress, other than long term work in progress, are valued at the lower of cost and net realisable value on bases consistent with those applied in previous years. Cost includes a proportion of production and administrative overheads.

Long term contract work in progress is stated at cost, plus attributable profits, less provision for any known or anticipated losses and payments on account received and receivable.

Deferred taxation

Provision has been made, using the liability method, for taxation at an appropriate rate in respect of items where there is a material timing difference between their treatment for accounts and taxation purposes if, in the opinion of the directors, a tax liability could crystallise in the foreseeable future.

Investments

Investments are stated at the lower of cost or market value.

2 Particulars of turnover

United Kingdom	1 006 538	901 223
Europe (other than UK)	268 829	145 954
America	3 502 006	1 964 999
Asia/Australia	85 163	585 015
	<u>4 862 536</u>	<u>3 597 191</u>

F F DEVELOPMENTS LIMITED

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Notes to the Financial Statements continued

		1988 £	1987 £
3 Operating profit	Operating profit is stated after charging/(crediting):-		
	(Profit)/loss on sale of fixed assets	(18 658)	7 890
	Depreciation	106 306	73 723
	Auditors' remuneration	11 000	10 000
	Ex-gratia payment to former director	-	44 000
	Ex-gratia payment to former chairman	30 000	-
	Directors' emoluments - as managers (note 4)	218 113	302 480
	Refurbishment of new premises	<u>3 381</u>	<u>81 610</u>
4 Particulars of staff	Staff costs (including directors)		
	Wages and salaries	820 724	657 561
	Social security costs	86 416	66 257
	Other pension costs	<u>26 858</u>	<u>156 996</u>
		<u>933 998</u>	<u>880 814</u>
	The average weekly number of persons employed during the year was:		
		1988	1987
	Production	39	35
	Distribution	2	2
	Administrative	<u>14</u>	<u>13</u>
		<u>55</u>	<u>50</u>
	Emoluments (excluding pension scheme contributions) of directors who served during the year were:		
		Number of directors	
	Range in £'s	1988	1987
	0 - 5 000	3	-
	5 001 - 10 000	-	1
	25 001 - 30 000	-	2
	35 001 - 40 000	-	1
	40 001 - 45 000	1	1
	45 001 - 50 000	1	-
	55 001 - 60 000	2	-
	The emoluments of the chairman were:		
	1 January 1987 to 31 December 1987	-	29 912
	1 January 1988 to 30 October 1988	46 634	-
	1 November 1988 to 31 December 1988	<u>9 368</u>	<u>-</u>
	The emoluments of the highest paid director were	<u>56 211</u>	<u>42 931</u>
5 Exceptional item	Amounts written off current asset investments to reduce to market value (note 12)	-	(48 853)
	Release of provision no longer required	<u>10 577</u>	<u>-</u>
		<u>10 577</u>	<u>(48 853)</u>

Notes to the Financial Statements continued

		1988 £	1987 £
6 Tax on profit on ordinary activities	Corporation tax at 35%	208 500	328 500
	Deferred tax at 35% (note 14)	25 250	(27 250)
	Attributable to franked investment income	<u>1 234</u>	<u>-</u>
		234 984	301 250
	Prior years		
	Corporation tax overprovision	<u>-</u>	<u>(1 380)</u>
		234 984	299 870
7 Dividends	Proposed		
	New 'A' ordinary at £6.091 per share (1987 - £5.818)	34 170	32 640
	'B' ordinary at £6.091 per share (1987 - £5.818)	<u>32 830</u>	<u>31 360</u>
		67 000	64 000
8 Fixed assets - tangible	Plant, machinery and motor vehicles	Total	Total
Cost	Building alterations		
At 1 January 1988	£	£	
	27 730	397 559	425 289
Additions	9 172	253 965	289 293
Disposals	-	(55 384)	190 400
At 31 December 1988	36 902	(55 384)	(54 404)
		633 042	425 289
Depreciation			
At 1 January 1988	4 773	175 823	180 596
Charge for year	4 922	101 384	138 131
On disposals	-	(38 459)	73 723
At 31 December 1988	9 695	(38 459)	(31 258)
		248 443	180 596
Net book value			
31 December 1988	<u>27 207</u>	<u>357 392</u>	<u>384 599</u>
			<u>244 693</u>
		1988	1987
		£	£
9 Fixed asset investments	Shares in subsidiary company at cost	<u>575</u>	<u>-</u>

On 23 August 1988 F F Developments Limited purchased the entire share capital of FFD USA Inc a company registered in the United States of America.

Notes to the Financial Statements continued

		1988 £	1987 £
9 Fixed asset investments continued	The results of FFD USA Inc since the date of acquisition have not been consolidated into these financial statements as the directors consider that this would be of no real value to the company's members in view of the insignificant amounts involved. FFD USA Inc made no profit or loss and consequently their results would have no effect on the results as shown on page 5 to these financial statements.		
10 Stocks	Long term contract work in progress	4 009 075	1 655 807
	Raw materials	75 917	89 998
	Other work in progress	173 702	94 629
		<hr/>	<hr/>
		4 258 694	1 840 434
	Progress payments received and receivable	(4 071 608)	(1 716 208)
		<hr/>	<hr/>
		187 086	124 226
		<hr/>	<hr/>
	The inclusion of attributable profit on long term contract work in progress is in accordance with Statement of Standard Accounting Practice No 9. This constitutes a departure from the statutory valuation rules for current assets but is required by S228(5) Companies Act 1985 to enable the accounts to give a true and fair view. As progress payments cannot meaningfully be allocated between cost and profit it is impracticable to determine the effect of the departure on the balance sheet carrying amount of long term contract work in progress.		
11 Debtors	Trade debtors	1 182 859	659 995
	Amounts owed by group companies	9 425	-
	Other debtors	80 833	40 113
	Deferred taxation (note 14)	20 333	44 583
	Prepayments	43 683	14 595
		<hr/>	<hr/>
		1 337 133	759 286
		<hr/>	<hr/>
12 Current asset investments	Investments listed on a recognised stock exchange - at cost	159 597	183 615
	Provision for diminution in value (note 5)	(38 276)	(48 853)
	Market value at 31 December 1988	<hr/>	<hr/>
		121 321	134 762
		<hr/>	<hr/>

Notes to the Financial Statements continued

		1988 £	1987 £			
13	Creditors (amounts falling due within one year)					
	Payments on account	11 174	36 387			
	Trade creditors	589 410	212 492			
	ACT payable	22 333	39 826			
	Corporation tax	214 424	310 007			
	Other taxes and social security	33 679	31 324			
	Accruals	369 162	244 708			
	Proposed dividends	67 000	64 000			
		<u>1 307 182</u>	<u>938 744</u>			
14	Provision for liabilities and charges					
	Deferred taxation					
	Excess of tax allowances over depreciation	Advance corporation tax	Short term timing differences			
	£	£	£			
	At 1 January 1988	3 000	(21 333)	(26 250)	(44 583)	(14 493)
	Profit and loss account (note 6)	(1 000)	-	26 250	25 250	(27 250)
	Current taxation	-	(1 000)	-	(1 000)	(2 840)
	At 31 December 1988	<u>2 000</u>	<u>(22 333)</u>	<u>-</u>	<u>(20 333)</u>	<u>(44 583)</u>
15	Called up share capital					
	Authorised, allotted and fully paid					
	'A' ordinary shares of £1 each	-	-	-	-	1 000
	Ordinary shares of £1 each	-	-	-	-	10 000
	New 'A' ordinary shares of £1 each	5 610	-	-	-	-
	'B' ordinary share of £1 each	<u>5 390</u>	-	-	-	-
		<u>11 000</u>				<u>11 000</u>
	On 15 January 1988 a special resolution was passed to the effect that all the Ordinary shares and 'A' Ordinary shares in the capital of the Company be redesignated as 'B' shares with all the rights attached thereto under the new Articles of Association other than 5 610 Ordinary shares which shall be designated as new 'A' shares with all the rights attached thereto under the new Articles of Association.					
16	Guarantees and other financial commitments					
	At 31 December 1988 the company had annual commitments under non-cancellable operating leases on land and buildings as follows:-					
	Expiring in between two and five years	44 000				44 000