

RICARDO MTC LTD
(Formerly Ricardo – FFD Ltd)



RICARDO MTC LTD

Report and Financial Statements

30 June 1999



Company Registration No. 1029568

REPORT AND FINANCIAL STATEMENTS 1999

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REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R.J. Westhead
G.A. Andrews
M.S. Barge
A.R. Goodburn
C.S. Lawrence
M.L. Monaghan
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 1999.

CHANGE OF NAME

In order to emphasise its position within the Ricardo Group, the company changed its name from Ricardo – FFD Limited to Ricardo MTC Ltd on 16th October 1998.

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 much improved compared to the previous year. Order books increased during the year and the company is in a good position for the next financial year.

In October 1998 the company moved to its new premises, a much improved facility, near Leamington Spa.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of an ordinary dividend. The profit for the year of £494,952 (1998: £228,898) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

R.J. Westhead	
G.A. Andrews	
M.S. Barge	
A.R. Goodburn	(appointed 16.04.99)
C.S. Lawrence	(appointed 16.04.99)
M.L. Monaghan	
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 1999	Ordinary Shares of 25p each at 30 June 1998
G.A. Andrews	30,000	30,000
M.L. Monaghan	52	52
D.R.R. Oglethorpe	844	844

No other directors held shares at the above dates.

	Share options over Ordinary Shares of 25p each at 30 June 1999	Share options over Ordinary Shares of 25p each at 30 June 1998
G.A. Andrews	24,279	24,279
M.S. Barge	5,823	5,823
M.L. Monaghan	6,000	6,000
D.R.T. Oglethorpe	7,389	7,389
L.M. Sykes	2,818	2,818

These share options are exercisable at 114.0p , 114.8p , 122.4p and 138.0p between July 1999 and March 2006.

No directors above exercised any options.

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 as at the end of the period 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)

YEAR 2000

The company established a programme designed to enable all business critical systems to be Year 2000 compliant. The resources required to modify equipment and software to achieve Year 2000 compliance were found from normal operating budgets. The company also communicated with key suppliers who participated in a formal compliance confirmation process.

As a result, there were no significant problems at the start of the new year.

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

13th April 2000

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

We have audited the financial statements on pages 6 to 17 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

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 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse Coopers

PRICEWATERHOUSECOOPERS
Chartered Accountants
& Registered Auditors
Southampton

13th April 2000

PROFIT AND LOSS ACCOUNT
Year ended 30 June 1999

	Notes	Year Ended 30 June 1999 £	Year Ended 30 June 1998 £
TURNOVER	2	13,394,107	10,221,806
Cost of sales		<u>(8,383,319)</u>	<u>(6,369,780)</u>
Gross profit		5,010,788	3,852,026
Administrative expenses		<u>(4,374,847)</u>	<u>(3,490,534)</u>
OPERATING PROFIT	4	635,941	361,492
Interest receivable and similar income		11,132	2,601
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		647,073	364,093
Tax on profit on ordinary activities	5	<u>(152,121)</u>	<u>(135,195)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		494,952	228,898
Retained profit brought forward		<u>4,875,040</u>	<u>4,646,142</u>
Retained profit carried forward	12	<u>5,369,992</u>	<u>4,875,040</u>

All of the above relate to continuing activities.

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 1999

	Notes	30 June 1999 £	30 June 1998 £
FIXED ASSETS			
Tangible assets	6	2,486,807	1,585,183
		<hr/>	<hr/>
		2,486,807	1,585,183
CURRENT ASSETS			
Stocks	7	725,598	776,123
Debtors	8	6,446,807	5,081,898
Cash at bank and in hand		702,051	253,004
		<hr/>	<hr/>
		7,874,456	6,111,025
CREDITORS: amounts falling due within one year	9	(4,900,073)	(2,716,168)
		<hr/>	<hr/>
NET CURRENT ASSETS		2,974,383	3,394,857
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,461,190	4,980,040
PROVISIONS FOR LIABILITIES AND CHARGES	10	(76,198)	(90,000)
		<hr/>	<hr/>
		5,384,992	4,890,040
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	11	11,000	11,000
Share premium account		4,000	4,000
Profit and loss account	12	5,369,992	4,875,040
		<hr/>	<hr/>
TOTAL EQUITY SHAREHOLDERS' FUNDS	13	5,384,992	4,890,040
		<hr/>	<hr/>

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

These financial statements were approved by the Board of Directors on 13th April 2000.

Signed on behalf of the Board of Directors by:


G.A. Andrews
Director

NOTES TO THE ACCOUNTS

Year ended 30 June 1999

1. ACCOUNTING POLICIES

The financial statements are 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. Consolidated accounts are not prepared because the company is a wholly owned subsidiary of Ricardo plc.

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 trade 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. Value of work done includes profit on contracts where this can be assessed with reasonable certainty.

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 2 and 10 years
Motor vehicles	- between 4 and 5 years

NOTES TO THE ACCOUNTS (continued)
Year ended 30 June 1999

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.

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 cost of pensions in respect of the company's defined contribution pension scheme is charged to the profit and loss account as incurred.

The expected cost of pensions in respect of the Group's defined benefit pension schemes are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the relevant scheme. The pension cost 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 schemes.

Cash Flow Statement

As the published consolidated financial statements of the ultimate parent company include a consolidated cashflow statement, 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 1999

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.

Turnover by customer	Year Ended 30 June 1999 £	Year Ended 30 June 1998 £
Third party sales	11,971,090	8,551,130
To group companies	1,423,017	1,670,676
	<u>13,394,107</u>	<u>10,221,806</u>

Turnover by markets supplied	Year Ended 30 June 1999 £	Year Ended 30 June 1998 £
United Kingdom	3,553,640	3,446,379
Europe	7,574,507	4,213,795
America	1,588,592	1,455,029
Rest of world	677,368	1,106,603
	<u>13,394,107</u>	<u>10,221,806</u>

NOTES TO THE ACCOUNTS (continued)
Year ended 30 June 1999

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year Ended 30 June 1999 £	Year Ended 30 June 1998 £
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Directors' Emoluments

Aggregate emoluments	407,001	406,861
Company contributions paid to money purchase pension schemes	10,816	10,880

Highest Paid Director

Total amount of emoluments	121,162	105,501
Company contributions paid to money purchase pension schemes	4,466	3,863

The number of directors to whom retirement benefits are accruing were as follows :

	No.	No.
Under Money Purchase Schemes	3	3
Under Defined Benefit Scheme	2	1

Average number of persons employed

Production and engineering staff	107	101
Management, administration and sales staff	36	45
	<u>143</u>	<u>146</u>

Staff Costs during the year (including directors)

	£	£
Wages and salaries	4,218,097	3,800,287
Social security costs	385,313	357,767
Pension costs	114,278	81,873
	<u>4,717,688</u>	<u>4,239,927</u>

NOTES TO THE ACCOUNTS (continued)
Year ended 30 June 1999

4. OPERATING PROFIT

	Year Ended 30 June 1999 £	Year Ended 30 June 1998 £
Operating profit is stated after charging:		
Depreciation	469,454	450,922
Rentals under operating leases		
Hire of plant and machinery	241,685	141,111
Other operating leases	163,670	130,795
Auditors' remuneration		
Audit Fees	17,700	15,600

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year Ended 30 June 1999 £	Year Ended 30 June 1998 £
United Kingdom corporation tax at 31% (1998 – 32.5%) based on the profit for the year	165,923	132,000
Overseas taxation	-	22,071
Double tax relief	-	(22,071)
Deferred taxation – prior years	-	20,000
Deferred taxation	(13,802)	90,000
Adjustments for prior years	-	(106,805)
	<u>152,121</u>	<u>135,195</u>

NOTES TO THE ACCOUNTS (continued)
Year ended 30 June 1999

6. TANGIBLE FIXED ASSETS

	Short Leasehold Property £	Plant and Machinery £	Fixtures, Fittings & Equipment £	Total £
Cost				
At 1 July 1998	210,786	1,671,553	2,048,066	3,930,405
Additions	824	256,109	1,168,319	1,425,252
Disposals	(210,786)	(395,296)	(498,970)	(1,105,052)
At 30 June 1999	824	1,532,366	2,717,415	4,250,605
Accumulated depreciation				
At 1 July 1998	210,786	792,728	1,341,708	2,345,222
Depreciation charge for the year	10	145,877	360,413	506,300
Disposals	(210,786)	(379,546)	(497,392)	(1,087,724)
At 30 June 1999	10	559,059	1,204,729	1,763,798
Net book value				
At 30 June 1999	814	973,307	1,512,686	2,486,807
At 30 June 1998	-	878,825	706,358	1,585,183

NOTES TO THE ACCOUNTS (continued)
Year ended 30 June 1999

7. STOCKS

	1999	1998
	£	£
Raw materials and consumables	548,287	672,549
Work-in-progress	261,709	120,530
Payments on account	(84,398)	(16,956)
	<u>725,598</u>	<u>776,123</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

	1999	1998
	£	£
Trade debtors	3,270,958	2,238,902
Amounts owed by group undertakings	2,214,640	2,415,122
Other debtors	12,151	-
Prepayments and accrued income	260,327	111,563
Amounts recoverable on contracts	688,731	316,311
	<u>6,446,807</u>	<u>5,081,898</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999	1998
	£	£
Payments received on account	1,639,416	823,843
Trade creditors	827,511	743,418
Amounts owed to group undertakings	470,516	121,230
Corporation tax	145,800	68,398
Other taxes and social security	286,049	227,255
Other creditors	68,835	59,014
Accruals and deferred income	1,461,946	673,010
	<u>4,900,073</u>	<u>2,716,168</u>

NOTES TO THE ACCOUNTS (continued)
Year ended 30 June 1999

10. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
Balance at 1 July 1998	90,000
Profit and loss credit	<u>(13,802)</u>
Balance at 30 June 1999	<u>76,198</u>

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

	Provided 1999 £	Provided 1998 £	Not Provided 1999 £	Not Provided 1998 £
Other timing differences	76,198	90,000	-	-
	<u>76,198</u>	<u>90,000</u>	<u>-</u>	<u>-</u>

11. CALLED UP SHARE CAPITAL

	1999 £	1998 £
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

	1999 £	1998 £
Retained Profit Brought Forward	4,875,040	4,646,142
Profit for the Year	<u>494,952</u>	<u>228,898</u>
Retained Profit Carried Forward	<u>5,369,992</u>	<u>4,875,040</u>

NOTES TO THE ACCOUNTS (continued)
Year ended 30 June 1999

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999	1998
	£	£
Profit for the financial year	<u>494,952</u>	<u>228,898</u>
Net addition to shareholders' funds	494,952	228,898
Opening shareholders' funds	<u>4,890,040</u>	<u>4,661,142</u>
Closing shareholders' funds	<u><u>5,384,992</u></u>	<u><u>4,890,040</u></u>

14. FINANCIAL COMMITMENTS

	1999	1998
	£	£
Capital commitments		
Contracted for but not provided	<u>128,564</u>	<u>87,279</u>
Operating lease commitments		
	Land and Buildings £	Other £
Annual commitments under leases which expire:-		
Within one year	-	14,224
Within 2 to 5 years	-	100,660
After 5 years	<u>169,835</u>	-
	<u><u>169,835</u></u>	<u><u>114,884</u></u>

NOTES TO THE ACCOUNTS (continued)
Year ended 30 June 1999

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 costs incurred under the two schemes was £114,278 (1998: £81,873).

16. CONTINGENT LIABILITIES

The company has given an unlimited guarantee in respect of the bank overdrafts of other group companies which amounted to £4,708,075 at 30 June 1999 (30 June 1998: £6,215,916).

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.