



FFD-RICARDO LIMITED

Report and Financial Statements

30 June 1996

Deloitte & Touche
St Johns House
East Street
Leicester
LE1 6NG



**REPORT AND FINANCIAL STATEMENTS 1996**

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REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S R Rolt
C G Ross
R J Westhead
D R T Oglethorpe
G A Andrews

SECRETARY

D R T Oglethorpe

REGISTERED OFFICE

Wolston Business Park
Main Street
Wolston
Coventry
CV8 3LR

BANKERS

Lloyds Bank plc
55 Corn Street
Bristol
BS99 7LE

SOLICITORS

Wragge & Co
55 Colmore Row
Birmingham
B3 2AS

AUDITORS

Deloitte & Touche
Chartered Accountants
St Johns House
East Street
Leicester
LE1 6NG



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 1996.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors are pleased to report another successful year in all its activities and that the company is in a good position to take advantage of the currently buoyant worldwide automotive engineering marketplace.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of an ordinary dividend. The profit for the year of £614,667 (1995: £246,145) is transferred to reserves.

FIXED ASSETS

Movements in tangible fixed assets are shown in note 6 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were as follows:

S R Rolt
C G Ross
R J Westhead
D R T Oglethorpe
G A Andrews
T R Seaman (resigned 12 April 1996)
R M Price (resigned 31 July 1995)

The interests of C G Ross and R J Westhead in the shares of Ricardo Group Plc, the ultimate parent company, are disclosed in the accounts of that company.

The interests of the other directors who held office at the end of the period in the shares of Ricardo Group Plc were as follows:

	Ordinary shares of 25p each at 30 June 1996
S R Rolt	1,418,182
D R T Oglethorpe	-
G A Andrews	-



DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (CONTINUED)

	Share options over Ordinary Shares of 25p each at 30 June 1996
S R Rolt	55,931
D R T Oglethorpe	6,535
G A Andrews	41,274

These share options are exercisable at 88.7p, 122.4p and 138.0p between December 1996 and October 2004.

DONATIONS

The company has made donations for charitable purposes during the period of £833 (1995: £1,572).

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.

AUDITORS

On 1 February 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name.

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

S R Rolt
Director



Chartered Accountants

Deloitte & Touche
St. John's House
East Street
Leicester LE1 6NG

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Telecopier (Gp. 3): 0116 255 2055

AUDITORS' REPORT TO THE MEMBERS OF

FFD-RICARDO LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors

22/10/96


PROFIT AND LOSS ACCOUNT
Year ended 30 June 1996

	Note	Year ended 30 June 1996 £	18 months ended 30 June 1995 £
TURNOVER: continuing operations	2	10,686,238	11,858,101
Cost of sales		(7,062,262)	(8,208,799)
Gross profit		3,623,976	3,649,302
Administrative expenses		(2,912,248)	(3,402,555)
OPERATING PROFIT: continuing operations	4	711,728	246,747
Interest receivable and similar income		243,672	207,344
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		955,400	454,091
Tax on profit on ordinary activities	5	(340,733)	(207,946)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		614,667	246,145
Retained profit brought forward		4,001,857	3,755,712
Retained profit carried forward		4,616,524	4,001,857

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


BALANCE SHEET
30 June 1996

	Note	30 June 1996 £	30 June 1995 £
FIXED ASSETS			
Tangible assets	6	1,342,794	687,667
Investments	7	384,016	384,016
		<u>1,726,810</u>	<u>1,071,683</u>
CURRENT ASSETS			
Stocks	8	914,544	707,047
Debtors	9	3,308,155	2,290,928
Cash at bank and in hand		3,471,855	2,912,193
		<u>7,694,554</u>	<u>5,910,168</u>
CREDITORS: amounts falling due within one year	10	<u>4,789,840</u>	<u>(2,964,994)</u>
NET CURRENT ASSETS		<u>2,904,914</u>	<u>2,945,174</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,631,524</u>	<u>4,016,857</u>
CAPITAL AND RESERVES			
Called up share capital	12	11,000	11,000
Share premium account		4,000	4,000
Profit and loss account		4,616,524	4,001,857
Total equity shareholders' funds		<u>4,631,524</u>	<u>4,016,857</u>

These financial statements were approved by the Board of Directors on 16/10/96

Signed on behalf of the Board of Directors

 S R Rolt
 Director

**NOTES TO THE ACCOUNTS**
Year ended 30 June 1996**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 Group plc.

Turnover

Turnover comprises sales to outside 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 3 and 10 years
Motor vehicles	- between 4 and 5 years

Investments

Investments in subsidiary companies are stated at cost, less provision for any permanent diminution in value.

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.



NOTES TO THE ACCOUNTS
Year ended 30 June 1996

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.

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.

	Year ended 30 June 1996 £	18 months ended 30 June 1995 £
With third parties	10,087,529	11,404,597
Within the group	598,709	453,504
	<u>10,686,238</u>	<u>11,858,101</u>
	Year ended 30 June 1996 £	18 months ended 30 June 1995 £
United Kingdom	5,012,028	8,165,414
Europe	4,250,530	3,394,225
America	414,514	186,494
Rest of World	1,009,166	111,968
	<u>10,686,238</u>	<u>11,858,101</u>


NOTES TO THE ACCOUNTS
Year ended 30 June 1996
3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 30 June 1996 £	18 months ended 30 June 1995 £
Directors' emoluments		
Other emoluments	328,566	258,219
Remuneration of the chairman (and highest paid director in 1995)	96,174	155,931
Remuneration of the highest paid director	108,346	-
	Year ended 30 June 1996	18 months ended 30 June 1995
	No	No
Scale of other directors' remuneration		
£ 0 - £ 5,000	3	7
£ 15,001 - £ 20,000	-	1
£ 35,001 - £ 40,000	1	-
£ 65,001 - £ 70,000	-	1
£ 75,001 - £ 80,000	1	-
Average number of persons employed		
Production	74	57
Sales and distribution	2	1
Administration	37	27
	113	85
	£	£
Staff costs during the year (including directors)		
Wages and salaries	3,117,415	2,925,596
Social security costs	324,772	236,069
Pension costs	73,521	55,530
	3,515,708	3,267,195


NOTES TO THE ACCOUNTS
Year ended 30 June 1996
4. OPERATING PROFIT

	Year ended 30 June 1996 £	18 months ended 30 June 1995 £
Operating profit is after charging:		
Depreciation	379,642	418,127
Rentals under operating leases		
Hire of plant and machinery	59,469	63,667
Other operating leases	89,503	75,000
Auditors' remuneration		
Audit Fees	14,625	15,000
Other Services	7,700	8,200
	<u> </u>	<u> </u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 30 June 1996 £	18 months ended 30 June 1995 £
United Kingdom corporation tax at 33% (1995 - 33%) based on the profit for the year	290,000	250,946
Overseas taxation	41,733	-
Deferred taxation	23,000	(43,000)
Adjustments for prior years	(14,000)	-
	<u>340,733</u>	<u>207,946</u>


NOTES TO THE ACCOUNTS
Year ended 30 June 1996
6. TANGIBLE FIXED ASSETS

	Short Leasehold £	Plant and Machinery £	Fixtures, Fittings & Equipment £	Total £
Cost				
At 1 July 1995	83,011	680,196	1,247,278	2,010,485
Additions	82,056	637,968	348,763	1,068,787
Transfer to fellow subsidiary	-	-	(24,557)	(24,557)
Disposals	-	(17,300)	(130,764)	(148,064)
At 30 June 1996	165,067	1,300,864	1,440,720	2,906,651
Accumulated depreciation				
At 1 July 1995	64,928	422,475	835,415	1,322,818
Transfer to fellow subsidiary	-	-	(17,224)	(17,224)
Depreciation charge for the year	34,761	110,909	233,972	379,642
Disposals	-	(8,847)	(112,532)	(121,379)
At 30 June 1996	99,689	524,537	939,631	1,563,857
Net book value				
At 30 June 1996	65,378	776,327	501,089	1,342,794
At 30 June 1995	18,083	257,721	411,863	687,667

7. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiaries £	Shares and loans to associated under- takings £	Other investments £	Total £
Cost				
At 1 July 1995 and 30 June 1996	382,741	27,055	1,275	411,071
Amounts written off				
At 1 July 1995 and 30 June 1996	-	27,055	-	27,055
Net book value				
At 30 June 1995 and 30 June 1996	382,741	-	1,275	384,016
Interests in subsidiaries				

The company owns 100% of the issued share capital of FFD-Ricardo Inc, a company incorporated in the USA. The company's principal activity is that of automotive design and engineering.

In the opinion of the directors the aggregate value of the shares in and amounts owing from FFD-Ricardo Inc is not less than the aggregate amount at which they are stated in the balance sheet.


NOTES TO THE ACCOUNTS
Year ended 30 June 1996
8. STOCKS

	1996 £	1995 £
Raw materials and consumables	598,862	531,365
Work-in-progress	455,314	211,303
Payments on account	(139,632)	(35,621)
	<u>914,544</u>	<u>707,047</u>

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

9. DEBTORS

	1996 £	1995 £
Trade debtors	2,909,490	2,082,835
Amounts owed by group undertakings		
Fellow subsidiaries	-	21,259
Subsidiary undertakings	275,497	91,468
Other debtors (note 11)	20,000	43,000
Prepayments and accrued income	103,168	52,366
	<u>3,308,155</u>	<u>2,290,928</u>

All debtors are due within one year.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Payments received on account	1,419,213	504,000
Trade creditors	1,540,718	961,830
Amounts owed to group undertakings		
Parent company and fellow subsidiaries	438,000	538,117
Corporation tax	281,022	266,408
Other taxes and social security	206,778	237,513
Other creditors	90,226	48,451
Accruals and deferred income	813,883	408,675
	<u>4,789,840</u>	<u>2,964,994</u>


NOTES TO THE ACCOUNTS
Year ended 30 June 1996
11. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
Balance at 1 July 1995	43,000
Profit and loss charge	(23,000)
	<hr/>
Balance at 30 June 1996	20,000
	<hr/>

The deferred taxation balance is included in other debtors

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

	Provided 1996 £	Provided 1995 £	Not provided 1996 £	Not provided 1995 £
Capital allowances in advance of depreciation	-	-	(4,975)	(58,287)
Other timing differences	(20,000)	(43,000)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(20,000)	(43,000)	(4,975)	(58,287)
	<hr/>	<hr/>	<hr/>	<hr/>

12. CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised		
Ordinary shares of £1 each	11,000	11,000
	<hr/>	<hr/>
Called up, allotted and fully paid		
Ordinary shares of £1 each	11,000	11,000
	<hr/>	<hr/>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
At 1 July	4,016,857	3,770,712
Retained profit for the period	614,667	246,145
	<hr/>	<hr/>
Balance at 30 June	4,631,524	4,016,857
	<hr/>	<hr/>


NOTES TO THE ACCOUNTS
Year ended 30 June 1996
14. FINANCIAL COMMITMENTS

	1996 £	1995 £
Capital commitments		
Contracted for but not provided	291,516	-
Authorised but not yet contracted for	309,850	84,356
Operating lease commitments		
	Land and buildings £	Other £
Annual commitments under leases which expire:		
Within one year	80,003	-
Within 2 to 5 years	-	78,610
After 5 years	-	-
	80,003	78,610

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 Group Plc.

The total costs incurred under the two schemes was £73,521 (1995: £55,530).

16. CONTINGENT LIABILITIES

The company has given an unlimited guarantee in respect of the bank overdrafts of other group companies which amounted to £8,592,196 (1995: 5,606,853).

17. ULTIMATE PARENT COMPANY

The ultimate parent company is Ricardo Group plc a company incorporated in England and Wales. Copies of the Ricardo Group plc financial statements are available from Ricardo Group Plc, 1 Watling Drive, Sketchley Business Park, Hinckley, Leicestershire, LE10 3EY.