

COMPANY REGISTRATION NO
1067795

**Report of the Directors and
Financial Statements
for the Year Ended 31 December 1996
for
A V L United Kingdom Ltd**



A V L United Kingdom Ltd

**Company Information
for the year ended 31 December 1996**

DIRECTORS:	H O List J M Read
SECRETARY:	D.M.Matthews
REGISTERED OFFICE:	Century House Gadbrook Park Northwich Cheshire CW9 7TL
REGISTERED NUMBER:	1067795 (England and Wales)
AUDITORS:	Cooper Taylor Chartered Accountants Registered Auditors The Dowery Barker Street Nantwich Cheshire CW5 5TE
BANKERS:	National Westminster Bank PLC P O Box 30 The Bull Ring Northwich Cheshire CW9 5DU
SOLICITORS:	Smith Whittingham Dysart Buildings Nantwich Cheshire CW5 5DW

A V L United Kingdom Ltd

Report of the Directors for the year ended 31 December 1996

The directors present their report with the financial statements of the company for the year ended 31 December 1996.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of providing marketing and support in the United Kingdom with regard to engine engineering, consulting, test systems and instrumentation provided by AVL Verwaltungsgesellschaft mbH, an Austrian company.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 1996.

DIRECTORS

The directors during the year under review were:

H O List
J M Read

The directors holding office at 31 December 1996 did not hold any beneficial interest in the issued share capital of the company at 1 January 1996 or 31 December 1996.

CHANGES IN FIXED ASSETS

Details of changes to fixed assets are shown in the notes to the financial statements.

STATEMENT OF 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

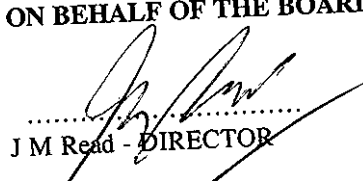
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The auditors, Cooper Taylor, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:


.....
J M Read - DIRECTOR

Dated: 27 March 1997

A V L United Kingdom Ltd

**Report of the Auditors to the Shareholders of
A V L United Kingdom Ltd**

We have audited the financial statements on pages four to fifteen which have been prepared under the historical cost convention and the accounting policies set out on page nine.

Respective responsibilities of directors and auditors

As described on page two 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 judgments 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 as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Cooper Taylor

Cooper Taylor
Chartered Accountants
Registered Auditors
The Dowery
Barker Street
Nantwich
Cheshire CW5 5TE

Dated: 27 March 1997

A V L United Kingdom Ltd

**Profit and Loss Account
for the year ended 31 December 1996**

	Notes	1996		1995	
		£	£	£	£
TURNOVER	2		9,092,704		4,364,249
Cost of sales			7,375,444		3,167,024
GROSS PROFIT			1,717,260		1,197,225
Distribution costs		15,142		8,428	
Administrative expenses		1,569,099		1,173,065	
			1,584,241		1,181,493
OPERATING PROFIT	4		133,019		15,732
Interest receivable and similar income	6		21,652		11,925
			154,671		27,657
Interest payable and similar charges	7		25,579		29,387
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			129,092		(1,730)
Tax on profit/(loss) on ordinary activities	8		10,897		-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION			118,195		(1,730)
Deficit brought forward			(87,999)		(86,269)
RETAINED PROFIT/(DEFICIT) CARRIED FORWARD			£30,196		£(87,999)

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit for the current year and the loss for the previous year.

The notes form part of these financial statements

A V L United Kingdom Ltd

Balance Sheet
31 December 1996

		1996		1995	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	9		202,216		136,217
CURRENT ASSETS:					
Stocks	10	438,434		218,255	
Debtors	11	4,821,022		2,404,966	
Cash at bank and in hand		706,148		1,190,025	
		5,965,604		3,813,246	
CREDITORS: Amounts falling due within one year	12	6,037,624		3,937,462	
NET CURRENT LIABILITIES:			(72,020)		(124,216)
TOTAL ASSETS LESS CURRENT LIABILITIES:			£130,196		£12,001
CAPITAL AND RESERVES:					
Called up share capital	15		100,000		100,000
Profit and loss account			30,196		(87,999)
Shareholders' funds	19		£130,196		£12,001

ON BEHALF OF THE BOARD:

J M Read - DIRECTOR

Approved by the Board on

27-3-97

A V L United Kingdom Ltd

**Cash Flow Statement
for the year ended 31 December 1996**

	1996		1995	
	£	£	£	£
Net cash outflow from operating activities		(1,915,799)		(471,517)
Returns on investments and servicing of finance				
Interest received	21,610		11,925	
Interest paid	(25,858)		(26,913)	
Interest element of hire purchase and finance lease rentals payments	(4,181)		(2,231)	
Net cash outflow from returns on investments and servicing of finance		(8,429)		(17,219)
Taxation				
Corporation Tax paid	-		-	
Tax paid		-		-
Investing activities				
Purchase of tangible fixed assets	(171,977)		(68,021)	
Sale of tangible fixed assets	64,793		86,798	
Net cash (outflow)/inflow from investing activities		(107,184)		18,777
Net cash outflow before financing		(2,031,412)		(469,959)
Financing				
Increase in group borrowing	1,616,584		1,481,655	
Loan repayments in year	423		(1,859)	
Capital element of hire purchase and finance lease rentals payments	(69,472)		(6,331)	
Net cash inflow from financing		1,547,535		1,473,465
(Decrease)/Increase in cash and cash equivalents		£(483,877)		£1,003,506

The notes form part of these financial statements

A V L United Kingdom Ltd

**Notes to the Cash Flow Statement
for the year ended 31 December 1996**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	1996 £	1995 £
Operating profit	133,019	15,732
Depreciation charges	113,920	37,249
Loss on sale of fixed assets	219	407
Profit on sale of fixed assets	(242)	-
(Increase)/Decrease in stocks	(220,179)	61,468
Increase in debtors	(2,311,645)	(1,125,171)
Increase in creditors	369,109	538,798
	<u> </u>	<u> </u>
Net cash outflow from operating activities	<u><u>(1,915,799)</u></u>	<u><u>(471,517)</u></u>

2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

Year ended 31 December 1996

	£
Balance at 1 January 1996	1,190,025
Net cash outflow	(483,877)
	<u> </u>
Balance at 31 December 1996	<u><u>706,148</u></u>

Year ended 31 December 1995

	£
Balance at 1 January 1995	186,519
Net cash inflow	1,003,506
	<u> </u>
Balance at 31 December 1995	<u><u>1,190,025</u></u>

3. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

Year ended 31 December 1996

	31.12.96 £	1.1.96 £	Change in year £
Cash at bank and in hand	<u><u>706,148</u></u>	<u><u>1,190,025</u></u>	<u><u>(483,877)</u></u>

A V L United Kingdom Ltd

**Notes to the Cash Flow Statement
for the year ended 31 December 1996**

Year ended 31 December 1995

	31.12.95	1.1.95	Change in year
	£	£	£
Cash at bank and in hand	1,190,025	188,964	1,001,061
Bank overdrafts	-	(2,445)	2,445
	<u>1,190,025</u>	<u>186,519</u>	<u>1,003,506</u>

4. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

Year ended 31 December 1996

	Net group borrowing £	Loans and capital £
Balance at 1 January 1996	2,841,263	459,001
Increase in group borrowing	1,616,584	-
Increase in loans	-	423
Capital element of HP and finance lease payments	-	(69,472)
New finance lease agreements	-	72,712
Balance at 31 December 1996	<u>4,457,847</u>	<u>462,664</u>

Year ended 31 December 1995

	Net group borrowing £	Loans and capital £
Balance at 1 January 1995	1,359,609	467,191
Increase in group borrowing	1,481,654	-
Loans repaid	-	(1,859)
Capital element of HP payments	-	(6,331)
Balance at 31 December 1995	<u>2,841,263</u>	<u>459,001</u>

**Notes to the Financial Statements
for the year ended 31 December 1996**

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The group has indicated that it will continue to support the company for a period of at least twelve months from the date of signing of these financial statements. On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Accounting convention

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

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Plant and machinery	- 25 % on cost
Fixtures and fittings	- 10 % on cost and 25 % on cost
Motor vehicles	- 25 % on cost

Stocks

Stock and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates 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 transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Pensions

The Company operates a pension scheme for a company director providing benefits based on final pensionable pay. The assets of the scheme are separately held from those of the company, being invested with an insurance company. Contributions are paid so as to spread the cost over the director's working life with the company by reviewing annually the level of contributions required to ensure full funding at retirement. There is consequently no difference between the contributions payable and the accounting charge and no outstanding or prepaid contributions at the beginning or end of the financial year.

A V L United Kingdom Ltd

Notes to the Financial Statements for the year ended 31 December 1996

2. TURNOVER

The turnover and profit (1995 - loss) before taxation are attributable to the one principal activity of the company.

Included in turnover are exports to Europe totalling £369,868 (1995 - £260,166).

3. STAFF COSTS

	1996	1995
	£	£
Wages and salaries	773,294	600,782
Social security costs	80,556	61,712
Other pension costs	29,896	23,239
	<u>883,746</u>	<u>685,733</u>

The average monthly number of employees during the year was as follows:

1996	1995
28	24
<u> </u>	<u> </u>

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	1996	1995
	£	£
Hire of plant and machinery	109,157	83,143
Rent	59,191	26,500
Depreciation - owned assets	60,750	29,545
Depreciation - assets on hire purchase contracts and finance leases	53,170	7,704
(Profit)/Loss on disposal of fixed assets	(23)	407
Auditors' remuneration	13,000	10,000
Foreign exchange differences	(38,782)	66,303
	<u>87,320</u>	<u>72,274</u>

Details of individual emoluments, excluding pension contributions, were as follows:

	1996	1995
	£	£
Chairman	-	-
Highest paid director	57,424	49,035

These emoluments are included in the information which follows.

A V L United Kingdom Ltd

Notes to the Financial Statements for the year ended 31 December 1996

4. OPERATING PROFIT - continued

The directors' emoluments, excluding pension contributions, fell within the following ranges:

	1996	1995
£Nil - £5,000	1	1
£45,001 - £50,000	-	1
£55,001 - £60,000	1	-

5. EXCEPTIONAL ITEMS

Included in administrative expenses in the profit and loss account are rents paid of £5,550 relating to rentals due in the year for premises which had been vacated. A further provision of £16,782 has been included to cover rents and service charges payable on these premises for a further six months.

Rents charged in the profit and loss account total £59,191 (1995 £26,500) of which £22,332 are considered to be exceptional.

Included in the depreciation charge for the year within administrative expenses is an exceptional charge for diminution in value of £35,146.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	1996	1995
	£	£
Deposit account interest	21,652	11,925

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1996	1995
	£	£
Bank interest	163	407
Bank loan interest	21,235	26,749
Hire purchase	226	2,231
Leasing charges	3,955	-
	<u>25,579</u>	<u>29,387</u>

8. TAXATION

The tax charge on the profit on ordinary activities for the year was as follows:

	1996	1995
	£	£
UK Corporation Tax	10,897	-

UK Corporation Tax has been charged at 33% (1995 - not applicable).

The taxation charge for the year has been reduced by the availability of losses brought forward which have now been fully utilised.

A V L United Kingdom Ltd

**Notes to the Financial Statements
for the year ended 31 December 1996**

9. TANGIBLE FIXED ASSETS

	Plant and machinery	Fixtures and fittings	Motor vehicles	Totals
	£	£	£	£
COST:				
At 1 January 1996	47,063	226,553	39,551	313,167
Additions	76,281	168,408	-	244,689
Disposals	-	(77,728)	(17,676)	(95,404)
At 31 December 1996	123,344	317,233	21,875	462,452
DEPRECIATION:				
At 1 January 1996	25,608	125,462	25,880	176,950
Charge for year	37,141	67,527	9,252	113,920
Eliminated on disposals	-	(17,377)	(13,257)	(30,634)
At 31 December 1996	62,749	175,612	21,875	260,236
NET BOOK VALUE:				
At 31 December 1996	60,595	141,621	-	202,216
At 31 December 1995	21,455	101,091	13,671	136,217

Fixed assets, included in the above, which are held under hire purchase contracts and finance leases are as follows:

	Plant and machinery	Fixtures and fittings	Motor vehicles	Totals
	£	£	£	£
COST:				
At 1 January 1996	-	-	30,811	30,811
Additions	13,763	58,949	-	72,712
Transferred to ownership	-	-	(30,811)	(30,811)
At 31 December 1996	13,763	58,949	-	72,712
DEPRECIATION:				
At 1 January 1996	-	-	19,260	19,260
Charge for year	10,322	42,848	-	53,170
Transferred to ownership	-	-	(19,260)	(19,260)
At 31 December 1996	10,322	42,848	-	53,170
NET BOOK VALUE:				
At 31 December 1996	3,441	16,101	-	19,542
At 31 December 1995	-	-	11,551	11,551

**Notes to the Financial Statements
for the year ended 31 December 1996**

10. STOCKS

	1996	1995
	£	£
Stock	160,230	127,175
Demonstration equipment	-	91,080
Work in progress	278,204	-
	<u>438,434</u>	<u>218,255</u>

There is no material difference between the carrying value of stocks and their replacement values.

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

	1996	1995
	£	£
Trade debtors	4,553,218	2,312,925
Other debtors	13,500	18,717
Prepayments & accrued income	94,369	17,800
Amounts due from group companies	159,935	55,524
	<u>4,821,022</u>	<u>2,404,966</u>

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

	1996	1995
	£	£
Bank loans and overdrafts (see note 13)	545	122
San Paolo Bank Loan (see note 13)	350,000	350,000
Hire purchase contracts and finance leases (see note 14)	12,119	8,879
Trade creditors	59,704	75,979
Other creditors	102,883	1,572
V.A.T.	708,014	373,964
Social security & other taxes	32,434	19,083
Amounts due to group companies	4,617,782	2,896,787
Taxation	10,897	-
Accruals & deferred income	143,246	211,076
	<u>6,037,624</u>	<u>3,937,462</u>

A V L United Kingdom Ltd

Notes to the Financial Statements for the year ended 31 December 1996

13. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	1996 £	1995 £
Amounts falling due within one year or on demand:		
Bank loans	545	122
San Paolo Bank Loan	350,000	350,000
	<u>350,545</u>	<u>350,122</u>

14. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase contracts		Finance leases	
	1996 £	1995 £	1996 £	1995 £
Gross obligations repayable:				
Within one year	<u>-</u>	<u>9,105</u>	<u>14,096</u>	<u>-</u>
Finance charges repayable:				
Within one year	<u>-</u>	<u>226</u>	<u>1,977</u>	<u>-</u>
Net obligations repayable:				
Within one year	<u>-</u>	<u>8,879</u>	<u>12,119</u>	<u>-</u>

15. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	1996 £	1995 £
100,000	Ordinary	£1	<u>100,000</u>	<u>100,000</u>

16. ULTIMATE PARENT COMPANY

The share capital is owned by AVL UK Holdings Limited, a company registered in England and Wales. The ultimate holding company is AVL Verwaltungsgesellschaft mbH, a company registered in Austria.

17. CONTINGENT LIABILITIES

Guarantee dated 27 July 1984 to H M Customs & Excise to the value of £20,000 with recourse.

A V L United Kingdom Ltd

Notes to the Financial Statements for the year ended 31 December 1996

18. OTHER FINANCIAL COMMITMENTS

The company has annual commitments under operating leases for plant and machinery which total £110,476. These commitments are split between leases ending within one year £28,834, between one and two years £30,156 and between two and five years £55,486.

The company has annual commitments under operating leases for premises totalling £7,200 for leases ending between one and two years.

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Profit/(Loss) for the financial year	118,195	(1,730)
NET ADDITION/(REDUCTION) TO SHAREHOLDERS' FUNDS	118,195	(1,730)
Opening shareholders' funds	12,001	13,731
CLOSING SHAREHOLDERS' FUNDS	<u>130,196</u>	<u>12,001</u>
Equity interests	<u>130,196</u>	<u>12,001</u>

20. RELATED PARTY TRANSACTIONS

No related party disclosures are given in respect of transactions with group companies as the company is included in the consolidated accounts of AVL Verwaltungsgesellschaft mbH. There are no related parties other than group companies.