

**Mercedes-Ilmor Limited**  
**(formerly Ilmor Engineering Limited)**

**Directors' report and consolidated  
financial statements**

**Registered number 1760288**

**31 December 2002**



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## Directors' report

The directors submit their report and the financial statements for the period ended 31 December 2002.

### Principal activities and business review

The principal activity of the group is the development and production of motor car racing engines for Formula One and the Indy Racing League.

The results for the year and the financial position at the end of the year are considered satisfactory.

On 20 December 2002 DaimlerChrysler Holding Plc signed an agreement with the remaining shareholders to acquire shares to increase their holding to 55% immediately and to increase their holding by 15% on 30 September 2003, 2004 and 2005, at which time they will hold 100% of all shares.

### Dividends

It is not proposed to recommend a dividend payment (*13 months ended 31 December 2001: £nil*).

### Employees

The group's management has an open policy on the communication of information to employees concerning factors affecting their interests as employees and also the development of the group and consults employees on a regular basis to ensure that their views are taken into account in making decisions on matters likely to affect their interests.

It is the group's policy to give full and fair consideration to suitable applications for employment by disabled persons having regard to their particular aptitudes and abilities. Disabled employees are eligible to participate in all training, career development and promotion opportunities available to staff. Opportunities also exist for employees of the group who become disabled to continue their employment or to be trained in other positions in the group.

### Charitable donations

The company made charitable donations of £2,826 during the year (*13 months ended 31 December 2001: £17,374*).

### Directors and directors' interests

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

Mario J Illien	(Swiss)
Roger S Penske	(American)
Prof. Juergen Hubbert	(German) (appointed 19 December 2002)
Hans-Ulrich Maik	(German) (appointed 19 December 2002)
Helmut Petri	(German) (appointed 19 December 2002)
Hans-Joachim Schoepf	(German) (appointed 19 December 2002)

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company according to the register of directors' interests:

	Company	Class of share	Interest at end of year Number	Interest at start of year Number
Mario J Illien	Mercedes-Ilmor Limited (formerly Ilmor Engineering Limited)	£1 "A" Ordinary	2,500	2,500
	Mercedes-Ilmor Limited (formerly Ilmor Engineering Limited)	\$1 "A" Ordinary	1,500	-
Roger S Penske	Mercedes-Ilmor Limited (formerly Ilmor Engineering Limited)	£1 "C" Ordinary	-	2,500
	Mercedes-Ilmor Limited (formerly Ilmor Engineering Limited)	\$1 "C" Ordinary	1,500	-

## Directors' report *(continued)*

None of the other directors who held office at the end of the financial year had any disclosable interest in the shares of group companies.

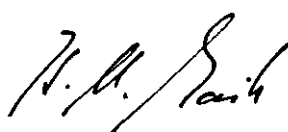
### Post balance sheet event

On 12 February 2003 the Company changed its name from Ilmor Engineering Limited to Mercedes-Ilmor Limited.

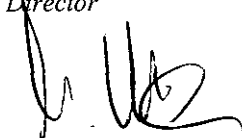
### Auditors

On 15 January 2003, BDO Stoy Hayward resigned as auditors to the company and KPMG Audit Plc were appointed in their place. KPMG Audit Plc have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By order of the board



**Hans-Ulrich Maik**  
*Director*



**Mario J Illien**  
*Director*

Registered office  
Quarry Road  
Brixworth  
Northamptonshire

6 June 2003

## 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 group and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



## KPMG Audit Plc

Altius House  
One North Fourth Street  
Milton Keynes  
MK9 1NE  
United Kingdom

### **Report of the independent auditors to the members of Mercedes-Ilmor Limited (formerly Ilmor Engineering Limited)**

We have audited the financial statements on pages 5 to 24.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 Companies Act 1985. 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 with the group is not disclosed.

#### **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 group'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 affairs of the company and the group as at 31 December 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

*6 June, 2003*

**Consolidated profit and loss account**  
*for the year ended 31 December 2002*

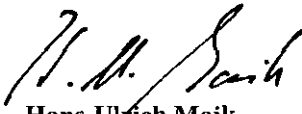
	<i>Note</i>	<b>12 months ended 31 December 2002 £000</b>	<b>13 months ended 31 December 2001 £000</b>
<b>Turnover</b>	<i>1,2</i>	<b>78,478</b>	83,452
Cost of sales		<b>(66,712)</b>	(67,811)
<b>Gross profit</b>		<b>11,766</b>	15,641
Administrative expenses (including exceptional administrative expenses of £nil (2001 - £2,864,000))		<b>(9,440)</b>	(12,669)
Receipts from life assurance policies		-	18,769
<b>Operating profit</b>	<i>3,4</i>	<b>2,326</b>	21,741
Interest receivable	<i>5</i>	<b>310</b>	841
Interest payable	<i>6</i>	<b>(235)</b>	(449)
<b>Profit on ordinary activities before taxation</b>		<b>2,401</b>	22,133
Tax on profit on ordinary activities	<i>9</i>	<b>(927)</b>	(7,458)
<b>Profit on ordinary activities after taxation</b>		<b>1,474</b>	14,675

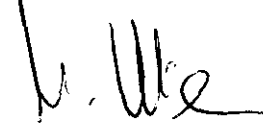
All of the group's operations are continuing.

**Consolidated balance sheet**  
*at 31 December 2002*

	<i>Note</i>	<b>2002</b> <b>£000</b>	<b>2002</b> <b>£000</b>	2001 £000	2001 £000
<b>Fixed assets</b>					
Tangible assets	10		40,722		34,736
<b>Current assets</b>					
Stocks	13	4,850		5,690	
Debtors	14	12,497		10,906	
Cash at bank and in hand		2,093		11,512	
		<u>19,440</u>		<u>28,108</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(24,782)</u>		<u>(28,234)</u>	
<b>Net current liabilities</b>			(5,342)		(126)
<b>Total assets less current liabilities</b>			35,380		34,610
<b>Creditors: amounts falling due after more than one year</b>	16	(1,507)		(2,829)	
<b>Provisions for liabilities and charges</b>	17	<u>(1,186)</u>		<u>(640)</u>	
			(2,693)		(3,469)
<b>Net assets</b>			32,687		31,141
<b>Capital and reserves</b>					
Called up share capital	18		16		10
Profit and loss account	19		32,671		31,131
<b>Equity shareholders' funds</b>			32,687		31,141

These financial statements were approved by the board of directors on 6 June 2003 and were signed on its behalf by:

  
**Hans-Ulrich Maik**  
*Director*

  
**Mario J Illien**  
*Director*

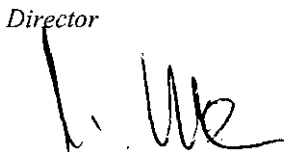


**Company balance sheet**  
*at 31 December 2002*

	<i>Note</i>	<b>2002</b> <b>£000</b>	<b>2002</b> <b>£000</b>	2001 £000	2001 £000
<b>Fixed assets</b>					
Tangible assets	11		40,722		34,736
Investments	12		41		41
			<hr/>		<hr/>
			40,763		34,777
<b>Current assets</b>					
Stocks	13	4,850		5,690	
Debtors	14	12,712		10,985	
Cash at bank and in hand		439		10,304	
		<hr/>		<hr/>	
		18,001		26,979	
<b>Creditors: amounts falling due within one year</b>	15	(23,896)		(27,560)	
		<hr/>		<hr/>	
<b>Net current liabilities</b>			(5,895)		(581)
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			34,868		34,196
			<hr/>		<hr/>
<b>Creditors: amounts falling due after more than one year</b>	16	(1,507)		(2,829)	
		<hr/>		<hr/>	
<b>Provisions for liabilities and charges</b>	17	(1,186)		(640)	
		<hr/>		<hr/>	
			(2,693)		(3,469)
			<hr/>		<hr/>
<b>Net assets</b>			32,175		30,727
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	18		16		10
Profit and loss account	19		32,159		30,717
			<hr/>		<hr/>
<b>Equity shareholders' funds</b>			32,175		30,727
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 6 June 2003 and were signed on its behalf by:

  
**Hans-Ulrich Maik**  
*Director*

  
**Mario J Illien**  
*Director*

**Consolidated cash flow statement**  
*for the year ended 31 December 2002*

	<i>Note</i>	<b>12 months ended 31 December 2002 £000</b>	<b>13 months ended 31 December 2001 £000</b>
Cash flow from operating activities	23	5,401	26,110
Returns on investments and servicing of finance	24	75	392
Taxation		(2,634)	(5,353)
Capital expenditure and financial investment	24	(11,266)	(10,015)
<b>Net cash (outflow)/inflow before financing</b>		<b>(8,424)</b>	<b>11,134</b>
<b>Financing</b>	24	<b>(1,057)</b>	<b>(827)</b>
<b>(Decrease)/increase in cash</b>		<b>(9,481)</b>	<b>10,307</b>

**Reconciliation of net cash flow to movement in net debt**

<b>(Decrease)/increase in cash in the period</b>		<b>(9,481)</b>	<b>10,307</b>
Cash outflow from reduction in debt	24	1,057	827
<b>Change in net funds resulting from cash flows</b>		<b>(8,424)</b>	<b>11,134</b>
New hire purchase contracts and finance leases		-	(1,721)
Exchange difference	25	62	15
<b>Movement in net funds in the period</b>		<b>(8,362)</b>	<b>9,428</b>
Net funds at the start of the period	25	8,027	(1,401)
<b>Net (debt)/funds at the end of the period</b>	25	<b>(335)</b>	<b>8,027</b>

**Consolidated statement of total recognised gains and losses**  
*for the year ended 31 December 2002*

	12 months ended 31 December 2002 £000	13 months ended 31 December 2001 £000
Profit for the period	1,474	14,675
Exchange gain/(loss) on translation	72	(7)
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	<b>1,546</b>	<b>14,668</b>
	<hr/>	<hr/>

**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 December 2002*

	Group 12 months ended 31 December 2002 £000	Group 13 months ended 31 December 2001 £000	Company 12 months ended 31 December 2002 £000	Company 13 months ended 31 December 2001 £000
Profit for the period	1,474	14,675	1,448	14,375
Exchange loss on translation	72	(7)	-	-
Bonus issue of shares	(6)	-	(6)	-
Increase in share capital	6	-	6	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to shareholders' funds	1,546	14,668	1,448	14,375
Opening shareholders' funds	31,141	16,473	30,727	16,352
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	<b>32,687</b>	<b>31,141</b>	<b>32,175</b>	<b>30,727</b>
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2002. The acquisition method of accounting has been adopted.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

#### *Tangible fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Buildings	-	4% - 15% per annum
Plant fixtures and fittings	-	15% - 50% per annum

No depreciation is provided on assets under construction until they are brought into use.

No depreciation is provided on freehold land.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves.

#### *Leases*

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### *Pension*

The company contributes to money purchase pension schemes and contributions are charged to the profit and loss account as incurred.

#### *Development costs*

Development costs are written off as incurred.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Tax charges or credits arising on the retranslation of foreign currency borrowings used to finance or provide a hedge against equity investments in foreign enterprises are taken to the Statement of Total Recognised Gains and Losses together with the exchange differences on the borrowings themselves.

#### *Turnover*

Turnover represents amounts receivable for goods and services net of value added tax.

#### *Cash and liquid resources*

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

### 2 Turnover and profit on ordinary activities before taxation

Turnover and profit on ordinary activities are attributable to the principal activity of the group. The directors do not consider it in the interests of the group to give a geographical analysis of turnover.

### 3 Operating profit

	12 months ended 31 December 2002 £000	13 months ended 31 December 2001 £000
<i>Operating profit is stated:</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	45	27
Other services - fees paid to the auditor and its associates	91	38
Depreciation and other amounts written off tangible fixed assets:		
Owned	4,759	4,904
Leased	596	733
Hire of other assets - operating leases	817	1,057
	<hr/>	<hr/>
<i>after crediting</i>		
Profit on disposal of fixed assets	75	92
	<hr/>	<hr/>

**Notes (continued)**

**4 Exceptional administrative expenses**

	12 months ended 31 December 2002 £000	13 months ended 31 December 2001 £000
Provision against loan to associated company	-	(2,864)

**5 Interest receivable**

	12 months ended 31 December 2002 £000	13 months ended 31 December 2001 £000
Loan interest	-	278
Bank interest	310	563
	<u>310</u>	<u>841</u>

**6 Interest payable**

	12 months ended 31 December 2002 £000	13 months ended 31 December 2001 £000
Bank overdraft interest	1	46
Hire purchase and finance lease interest	65	194
Other interest	169	209
	<u>235</u>	<u>449</u>

**7 Remuneration of directors**

	12 months ended 31 December 2002 £000	13 months ended 31 December 2001 £000
Directors' emoluments	1,589	2,556
Company contributions to money purchase pension schemes	421	506
	<u>2,010</u>	<u>3,062</u>

The aggregate of emoluments of the highest paid director was £2,010,000 (13 months ended 31 December 2001: £1,663,000), and company pension contributions of £421,000 (13 months ended 31 December 2001: £435,000) were made to a money purchase scheme on his behalf.

## Notes (continued)

### 7 Remuneration of directors

	12 months ended 31 December 2002	13 months ended 31 December 2001
Number of directors		

Retirement benefits are accruing to the following number of directors under:

Money purchase schemes	1	1
	<u>1</u>	<u>1</u>

### 8 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	12 months ended 31 December 2002	13 months ended 31 December 2001
Production	453	426
Administration	24	24
	<u>477</u>	<u>450</u>

The aggregate payroll costs of these persons were as follows:

	12 months ended 31 December 2002 £000	13 months ended 31 December 2001 £000
Wages and salaries	18,288	18,315
Social security costs	1,862	1,942
Pension costs	2,122	2,130
	<u>22,272</u>	<u>22,387</u>

## Notes (continued)

### 9 Tax on profit on ordinary activities

#### Analysis of charge in period

	12 months ended 31 December 2002 £000	12 months ended 31 December 2002 £000	13 months ended 31 December 2001 £000	13 months ended 31 December 2001 £000
<i>UK corporation tax</i>				
Current tax on income for the period	576		7,648	
Adjustments in respect of prior periods	(279)		(123)	
		297		7,525
<i>Foreign tax</i>				
Current tax on income for the period		84		73
		381		7,598
Deferred tax (see note 17)				
Origination/reversal of timing differences		546		(140)
		927		7,458

#### Factors affecting the tax charge for the current period

The current tax charge for the period is lower (13 months ended 31 December 2001: higher) than the standard rate of corporation tax in the UK (30%, 13 months ended 31 December 2001: 30%) The differences are explained below.

	12 months ended 31 December 2002 £000	13 months ended 31 December 2001 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,401	22,133
	720	6,640
<i>Effects of:</i>		
Expenses not deductible for tax purposes	91	919
Capital allowances for period in excess of depreciation	(230)	-
Depreciation in excess of capital allowances	-	112
Higher rate of UK tax on dividend received from overseas subsidiary	-	74
Lower tax rate on overseas earnings	-	(169)
Other timing differences	(92)	145
Overseas dividend not in profit	171	-
Adjustments to tax charge in respect of previous periods	(279)	(123)
	381	7,598



**Notes (continued)**

**10 Tangible fixed assets**

**Group**

	Land and buildings £000	Plant, Fixtures & Vehicles £000	Assets under construction £000	Total £000
<b>Cost</b>				
At beginning of year	15,988	37,713	7,605	61,306
Additions	5,744	5,032	609	11,385
Reclassification	7,371	234	(7,605)	-
Disposals	-	(538)	-	(538)
At end of year	29,103	42,441	609	72,153
<b>Depreciation</b>				
At beginning of year	2,087	24,483	-	26,570
Charge for the period	883	4,472	-	5,355
Disposals	-	(494)	-	(494)
At end of year	2,970	28,461	-	31,431
<b>Net book value</b>				
At 31 December 2002	26,133	13,980	609	40,722
At 30 December 2001	13,901	13,230	7,605	34,736

Included in the net book value of plant, fixtures and vehicles is £1,612,000 (2001: £2,056,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £596,000 (2001: £733,000).

The net book value of land and buildings comprises:

	12 months ended 31 December 2002 £000	13 months ended 31 December 2001 £000
Freehold land	3,337	3,337
Freehold buildings	22,115	9,756
Leasehold improvements	681	808
	26,133	13,901

**Notes (continued)**

**11 Tangible fixed assets**

**Company**

	<b>Land and buildings £000</b>	<b>Plant, Fixtures &amp; Vehicles £000</b>	<b>Assets under construction £000</b>	<b>Total £000</b>
<b>Cost</b>				
At beginning of year	15,988	37,285	7,605	60,878
Additions	5,744	5,032	609	11,385
Reclassification	7,371	234	(7,605)	-
Disposals	-	(538)	-	(538)
At end of year	29,103	42,013	609	71,725
<b>Depreciation</b>				
At beginning of year	2,087	24,055	-	26,142
Charge for the period	883	4,472	-	5,355
Disposals	-	(494)	-	(494)
At end of year	2,970	28,033	-	31,003
<b>Net book value</b>				
At 31 December 2002	26,133	13,980	609	40,722
At 31 December 2001	13,901	13,230	7,605	34,736

Included in the net book value of plant, fixtures and vehicles is £1,612,000 (2001: £2,056,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £596,000 (2001: £733,000).

The net book value of land and buildings comprises:

	<b>12 months ended 31 December 2002 £000</b>	<b>13 months ended 31 December 2001 £000</b>
Freehold land	3,337	3,337
Freehold buildings	22,115	9,756
Leasehold improvements	681	808
	<b>26,133</b>	<b>13,901</b>

**Notes (continued)**

**12 Investments**

Company	2002 £000	2001 £000
Investment in subsidiary undertaking, at cost	41	41

The company's wholly owned subsidiary is Ilmor AG, which is registered and operates in Switzerland and has similar activities to its parent company.

**13 Stocks**

	2002 £000	2001 £000
Raw materials and consumables	564	623
Work in progress	1,030	1,190
Finished goods and goods for resale	3,256	3,877
	<u>4,850</u>	<u>5,690</u>

**14 Debtors**

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Trade debtors	8,929	7,096	8,929	7,096
Amounts owed by group undertaking	-	-	575	451
Tax and Social Security	1,058	1,508	1,008	1,508
Other debtors	2,379	893	2,069	521
Prepayments and accrued income	131	1,279	131	1,279
Corporation tax receivable	-	130	-	130
	<u>12,497</u>	<u>10,906</u>	<u>12,712</u>	<u>10,985</u>

**Notes (continued)**

**15 Creditors: amounts falling due within one year**

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Bank loan	577	590	577	590
Obligations under hire purchase contracts, finance leases and similar contracts	344	444	344	444
Payments received on account	7,366	5,300	7,366	5,300
Trade creditors	10,880	11,308	10,880	11,308
Taxation and Social Security	2,384	4,909	2,115	4,346
Other creditors	710	4,406	410	4,330
Accruals	2,521	1,277	2,204	1,242
	<u>24,782</u>	<u>28,234</u>	<u>23,896</u>	<u>27,560</u>

Any bank overdraft is secured by a charge over the land and buildings. The bank loan is secured on certain items of plant and machinery.

**16 Creditors: amounts falling due after more than one year**

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Bank loan	786	1,386	786	1,386
Obligations under hire purchase contracts, finance leases and similar contracts	721	1,065	721	1,065
Other creditors	-	378	-	378
	<u>1,507</u>	<u>2,829</u>	<u>1,507</u>	<u>2,829</u>

**Notes** *(continued)*

**16 Creditors: amounts falling due after more than one year** *(continued)*

**Analysis of bank loans:**

	<b>Group</b> <b>2002</b> <b>£000</b>	<b>Group</b> <b>2001</b> <b>£000</b>	<b>Company</b> <b>2002</b> <b>£000</b>	<b>Company</b> <b>2001</b> <b>£000</b>
Debt can be analysed as falling due:				
In one year or less, or on demand	577	590	577	590
Between one and two years	546	600	546	600
Between two and five years	240	786	240	786
	<u>1,363</u>	<u>1,976</u>	<u>1,363</u>	<u>1,976</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	<b>Group</b> <b>2002</b> <b>£000</b>	<b>Group</b> <b>2001</b> <b>£000</b>	<b>Company</b> <b>2002</b> <b>£000</b>	<b>Company</b> <b>2001</b> <b>£000</b>
Within one year	344	444	344	444
In the second to fifth years	721	1,065	721	1,065
Over five years	-	-	-	-
	<u>1,065</u>	<u>1,509</u>	<u>1,065</u>	<u>1,509</u>

## Notes (continued)

### 17 Provisions for liabilities and charges

The elements of deferred taxation are as follows:

Company and Group	2002 £000	2001 £000
Difference between accumulated depreciation and amortisation and capital allowances	1,096	856
Other timing differences	90	(216)
	<hr/>	<hr/>
Deferred tax liability	1,186	640
	<hr/>	<hr/>

### 18 Called up share capital

	2002 £	2001 £
<i>Authorised, allotted, called up and fully paid:</i>		
2,500 'A' ordinary shares of £1 each	2,500	2,500
2,500 'B' ordinary shares of £1 each	2,500	2,500
2,500 'C' ordinary shares of £1 each	2,500	2,500
2,500 'D' ordinary shares of £1 each	2,500	2,500
2,500 'A' ordinary shares of \$1 each	1,601	-
2,500 'B' ordinary shares of \$1 each	1,601	-
2,500 'C' ordinary shares of \$1 each	1,601	-
2,500 'D' ordinary shares of \$1 each	1,601	-
	<hr/>	<hr/>
	16,404	10,000
	<hr/>	<hr/>

During the year, the company issued bonus shares with a value of £6,404 for nil consideration.

The sterling shares and dollar shares constitute different classes of shares.

#### *Sterling shares*

The holders of sterling shares are not entitled to any participation in the profit or assets of the company.

On a winding up, the maximum that the shareholders of sterling shares shall receive will be £1 per share.

None of the sterling shares carry any right to receive or attend and vote at any general meeting of the company.

#### *Dollar shares*

The holders of dollar shares carry the right to participate in the profits of the company.

The dollar shares are not subject to any limit in distribution on winding up of the company provided amounts payable to the holders of sterling shares shall first have been paid.

Holders of the dollar shares are entitled to receive notice of and to attend and vote at every general meeting of the company.

## Notes (continued)

### 19 Reserves

	Group Profit and loss account £000	Company Profit and loss account £000
At beginning of year	31,131	30,717
Retained profit for the year	1,474	1,448
Exchange adjustments	72	-
Bonus issue of shares	(6)	(6)
	<hr/>	<hr/>
At end of year	32,671	32,159
	<hr/>	<hr/>

### 20 Related party transactions

	Amounts owed to (by) group £000	Sales by group £000	Purchases by group £000
By virtue of shareholding:			
Mr RS Penske was interested in:			
Penske Racing Inc			
- year ended 31 December 2002	573	3,200	-
- period ended 31 December 2001	71	2,269	311
Messrs PJ Morgan deceased, MJ Illien, RS Penske and Daimler- Chrysler UK Holdings plc were interested in:			
Ilmor Engineering Inc			
- year ended 31 December 2002	-	5,202	872
- period ended 31 December 2001	(157)	1,057	3,245
Daimler-Chrysler UK Holdings plc was interested in:			
Daimler-Chrysler AG Group			
- year ended 31 December 2002	7,516	64,401	674
- period ended 31 December 2001	5,716	79,699	613
Mrs PJ Morgan and MJ Illien were interested in:			
Ilmor Directors' Pension Fund – rent			
- year ended 31 December 2002	-	-	170
- period ended 30 December 2001	-	-	184

The company has guaranteed a lease commitment on behalf of Ilmor Engineering Inc. The lease expires on 27 March 2009 and the annual commitment is £628,000 (\$914,000).

The company has given a guarantee of \$1.5 million to secure the bank liabilities of Ilmor Engineering Inc.

### 21 Future capital expenditure

At 31 December 2002 the group had commitments under contracts placed in respect of capital expenditure amounting to £1,227,000 (2001: £4,560,000).

## Notes (continued)

### 22 Financial commitments

There are obligations under operating leases to pay rentals during the next year which expire:

	2002 Land and buildings £000	2002 Other £000	2001 Land and buildings £000	2001 Other £000
Over 5 years	170	695	170	628

The parent company has guaranteed lease rentals on behalf of the subsidiary company for the lease of an aircraft. The annual commitment is as shown above.

### 23 Cash flow from operating activities

	2002 £000	2001 £000
<b>Reconciliation of operating profit to net cash flow from operating activities</b>		
Operating profit	2,326	21,741
Exchange differences	-	(19)
Depreciation charges	5,355	5,637
Profit on sale of fixed assets	(75)	(92)
Decrease/(increase) in stock	840	(1,872)
Increase in debtors	(1,706)	(4,555)
(Decrease)/increase in creditors	(1,339)	5,270
<b>Net cash inflow from operating activities</b>	<b>5,401</b>	<b>26,110</b>



## Notes (continued)

### 24 Analysis of cash flows

	2002 £000	2002 £000	2001 £000	2001 £000
<b>Returns on investment and servicing of finance</b>				
Interest received	310		841	
Interest element of finance lease and hire purchase payments	(65)		(194)	
Bank overdraft and other interest	(170)		(255)	
		75		392
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets	(11,385)		(10,115)	
Receipts from sales of tangible fixed assets	119		100	
		(11,266)		10,015
<b>Financing</b>				
Capital element of hire purchase and finance lease	(444)		(1,049)	
Loans	-		849	
Loan repayments	(613)		(627)	
		(1,057)		(827)

### 25 Analysis of net debt

	At beginning of year £000	Cash flow £000	Exchange adjustments £000	Other non-cash changes £000	At end of year £000
Cash at bank and in hand	11,512	(9,481)	62	-	2,093
Debt due after one year	(1,386)	-	-	600	(786)
Debt due within one year	(590)	613	-	(600)	(577)
Finance lease and hire purchase Obligations	(1,509)	444	-	-	(1,065)
	8,027	(8,424)	62	-	(335)

### 26 Pension scheme

The company contributes to various money purchase pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The charge for the period represents contributions payable to the schemes and amounted to £2,122,000 (2001: £2,130,000) and contributions of £nil (2001: £nil) were prepaid at 31 December 2002.

**Notes** *(continued)*

**27 Controlling party**

The company is a wholly owned subsidiary of DaimlerChrysler UK Holdings plc.

The company's ultimate holding company and controlling party is DaimlerChrysler Aktiengesellschaft which is incorporated in Germany.