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ILMOR ENGINEERING LIMITED  
AND ITS SUBSIDIARY UNDERTAKING  
REGISTERED NUMBER 1760288  
FINANCIAL STATEMENTS  
31 DECEMBER 2001

**BDO**

BDO Stoy Hayward  
Chartered Accountants



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COMPANIES HOUSE

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30/10/02

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# ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

## DIRECTORS' REPORT

The directors submit their report and the financial statements for the period ended 31 December 2001.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements that give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for its financial period. In doing so 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 company will continue in business.

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## DIRECTORS

The directors regret to report the untimely death of P J Morgan on 12 May 2001 in a light aircraft accident.

The directors of the company during the period, and the number of shares in which they had an interest, were:

		Ordinary shares of £1 each	
		31.12.2001	30.11.2000
M J Illien	- Switzerland	2,500	2,500
R S Penske	- USA	2,500	2,500
P J Morgan deceased	- England		2,500

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the group is the development and production of motor car racing engines.

In Formula 1, the group gained second place in both the drivers' and the constructors' championships. For the first time in five years engines were entered for the Indianapolis 500 and these achieved first and second place as well as pole position.

The results for the year are considered satisfactory and are shown on page 5 and the group was adequately financed at the year end.

## DIVIDENDS

It is not proposed to recommend a dividend payment.

## EMPLOYEE INVOLVEMENT

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.

## DISABLED PERSONS

It is the group's policy to give full and fair consideration to suitable applications for employment by disabled persons having regard to 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.

· ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING  
DIRECTORS' REPORT (Continued)

CHARITABLE DONATIONS

The company made charitable donations of £17,374 during the period.

AUDITORS

A resolution will be proposed at the annual general meeting to re-appoint BDO Stoy Hayward as auditors.

Approved by the board on  
and signed on its behalf by:

25/10/02

  
M J ILLIEN

Director

Registered Office:  
Quarry Road  
Brixworth  
Northamptonshire  
England

TO THE SHAREHOLDERS OF ILMOR ENGINEERING LIMITED

We have audited the financial statements of Ilmor Engineering Limited for the period ended 31 December 2001 on pages 5 to 16 which have been prepared under the accounting policies set out therein.

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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 company and other members of the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

***Basis of audit opinion***

We conducted our audit in accordance with United Kingdom 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 the group's and the company's affairs as at 31 December 2001 and of the group's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*BDO Stoy Hayward*

**BDO STOY HAYWARD**  
*Chartered Accountants  
and Registered Auditors*  
Walsall

*29 October 2002*

· ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

CONSOLIDATED PROFIT AND LOSS ACCOUNT

· Period ended 31 December 2001

	Notes	13 months ended 31.12.01 £000	12 months ended 30.11.00 £000
TURNOVER	2	83,452	87,124
Cost of sales		<u>(67,811)</u>	<u>(74,032)</u>
GROSS PROFIT		15,641	13,092
Administrative expenses (including exceptional administrative expenses of £2,864,000 (2000 – nil))	3	(12,669)	(9,082)
Receipts from life assurance policies		<u>18,769</u>	<u>-</u>
OPERATING PROFIT		21,741	4,010
Investment income	4	<u>841</u>	<u>406</u>
		22,582	4,416
Interest payable	5	<u>(449)</u>	<u>(351)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	22,133	4,065
Tax on profit on ordinary activities	7	<u>(7,458)</u>	<u>(1,071)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		14,675	2,994
Retained profits at 30 November 2000		16,463	13,608
Exchange loss on translation		<u>(7)</u>	<u>(139)</u>
RETAINED PROFITS AT 31 DECEMBER 2001		<u>31,131</u>	<u>16,463</u>

All of the group's operations are continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Profit for the financial period	14,675	2,994
Exchange loss on translation	<u>(7)</u>	<u>(139)</u>
TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD	<u>14,668</u>	<u>2,855</u>

ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

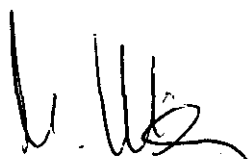
CONSOLIDATED BALANCE SHEET

31 December 2001

	Notes	£000	31.12.01 £000	£000	30.11.00 £000
FIXED ASSETS					
Tangible assets	8		34,736		28,545
CURRENT ASSETS					
Stocks	10	5,690		3,818	
Debtors	11	10,906		6,526	
Cash at bank and in hand		11,512		1,190	
		<u>28,108</u>		<u>11,534</u>	
CREDITORS - amounts falling due within one year	12	(28,234)		(21,343)	
NET CURRENT LIABILITIES			<u>(126)</u>		<u>(9,809)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			34,610		18,736
CREDITORS - amounts falling due after more than one year	13	(2,829)		(1,483)	
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(640)</u>		<u>(780)</u>	
			<u>(3,469)</u>		<u>(2,263)</u>
			<u>31,141</u>		<u>16,473</u>
CAPITAL AND RESERVES					
Called up share capital	15		10		10
Profit and loss account			<u>31,131</u>		<u>16,463</u>
SHAREHOLDERS' FUNDS	21		<u>31,141</u>		<u>16,473</u>

Approved by the board on  
and signed on its behalf by:

25/10/02



M J ILLIEN  
Director

ILMOR ENGINEERING LIMITED

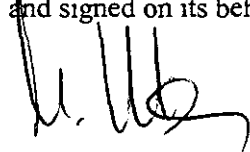
COMPANY BALANCE SHEET

31 December 2001

	Notes	£000	31.12.01 £000	£000	30.11.00 £000
<b>FIXED ASSETS</b>					
Tangible assets	8		34,736		28,545
Investments	9		<u>41</u>		<u>41</u>
			34,777		28,586
<b>CURRENT ASSETS</b>					
Stocks	10	5,690		3,818	
Debtors	11	10,985		6,258	
Cash in hand		<u>10,304</u>		<u>397</u>	
		26,979		10,473	
CREDITORS - amounts falling due within one year	12	<u>(27,560)</u>		<u>(20,444)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(581)</u>		<u>(9,971)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			34,196		18,615
CREDITORS - amounts falling due after more than one year	13	(2,829)		(1,483)	
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14	<u>(640)</u>		<u>(780)</u>	
			<u>(3,469)</u>		<u>(2,263)</u>
			<u>30,727</u>		<u>16,352</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		10		10
Profit and loss account			<u>30,717</u>		<u>16,342</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>30,727</u>		<u>16,352</u>

Approved by the board on  
and signed on its behalf by:

25/10/02



M J ILLIEN  
Director



ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

CONSOLIDATED CASH FLOW STATEMENT

Period ended 31 December 2001

	13 months ended 31.12.01 £000	12 months ended 30.11.00 £000
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit	21,741	4,010
Exchange differences	(19)	(156)
Depreciation	5,637	4,098
Profit on disposal of fixed assets	(92)	-
(Increase) decrease in stock	(1,872)	1,059
(Increase) decrease in debtors	(4,555)	423
Increase (decrease) in creditors	5,270	(405)
NET CASH INFLOW FROM OPERATING ACTIVITIES	26,110	9,029
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest receivable	841	406
Hire purchase and finance lease interest	(194)	(247)
Bank overdraft and other interest	(255)	(104)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	392	55
TAXATION		
Corporation tax paid	(5,353)	(1,159)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payments to acquire tangible fixed assets	(10,115)	(13,198)
Receipts from sales of tangible fixed assets	100	247
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND INVESTING ACTIVITIES	(10,015)	(12,951)
NET CASH INFLOW (OUTFLOW) BEFORE FINANCING	11,134	(5,026)
FINANCING		
Capital element of hire purchase and finance lease rentals paid	(1,049)	(1,191)
Loans advanced	849	1,055
Loan repayments	(627)	(332)
	(827)	(468)
INCREASE (DECREASE) IN CASH	10,307	(5,494)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH (note 22)		
Increase (decrease) in cash in the period	10,307	(5,494)
Cash outflow from decrease in debt and lease financing	827	468
Change in net cash resulting from cash flows	11,134	(5,026)
New hire purchase contracts	(1,721)	-
Translation difference	15	27
Movement in net cash for the period	9,428	(4,999)
Net (debt) cash at 30 November 2000	(1,401)	3,598
Net cash (debt) at 31 December 2001	8,027	(1,401)

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 December 2001

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The following principal accounting policies have been applied:

Investment

The consolidated profit and loss account includes the results for its subsidiary undertaking which are prepared to the same date and are translated at the period end rate. The balance sheet of the subsidiary is translated into sterling at the rate ruling at the period end. Exchange differences arising on translation are taken directly to reserves.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the date of each transaction. Exchange differences arising from settlement of trading indebtedness are included in operating profit.

Turnover

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

Depreciation of tangible fixed assets

Fixed assets, other than freehold land, are being depreciated on the straight line basis so as to write them off over their anticipated useful lives at the following annual rates:

Buildings	4% - 15%
Plant, fixtures and vehicles	15% - 50%

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

Stocks

Stocks are valued at the lower of cost and net realisable value with due allowance for any obsolete or slow moving items. Work in progress and finished goods include an appropriate proportion of overhead expenses.

Development costs

Development costs are written off as incurred.

Deferred tax

Deferred tax is calculated under the liability method and provision is made to the extent that it is considered probable a liability will crystallise.

Operating leases

Operating lease rentals are charged to the profit and loss account on the straight line basis over the periods of the leases.

Hire purchase contracts and finance leases

Assets held under hire purchase contracts and finance leases which confer rights and obligations similar to those attaching to owned assets are capitalised as tangible fixed assets and the corresponding liability to pay instalments is shown net of interest in the financial statements as obligations under hire purchase contracts and finance leases. The interest element of the instalments is calculated on a reducing balance basis over the period of the contract.

Pension costs

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

ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 31 December 2001

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.

Profit on ordinary activities before taxation is stated after charging:		13 months ended 31.12.01 £000	12 months ended 30.11.00 £000
Auditors' remuneration	- audit	27	23
	- non-audit work	38	40
Depreciation of tangible assets	- owned	4,904	3,047
	- held under hire purchase contracts and finance leases	733	1,051
Operating lease rentals	- rental of buildings	170	134
	- other	887	476

3. EXCEPTIONAL ADMINISTRATIVE EXPENSES

Provision against loan to associated company	(2,864)	-
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4. INVESTMENT INCOME

Loan interest	278	284
Bank interest	563	122
	<u>841</u>	<u>406</u>

5. INTEREST PAYABLE

Bank overdraft interest	46	29
Hire purchase and finance lease interest	194	247
Other interest	209	75
	<u>449</u>	<u>351</u>

6. DIRECTORS AND EMPLOYEES

The average number of persons employed by the group during the period was:	Number	Number
Production	426	385
Administration	24	22
	<u>450</u>	<u>407</u>

Staff costs, including directors, comprise:	£000	£000
Wages and salaries	18,315	15,504
Social security costs	1,942	1,648
Pension costs	2,130	2,267
	<u>22,387</u>	<u>19,419</u>

Directors' emoluments included above:

Aggregate emoluments	2,556	2,452
Company pension contributions to money purchase pension schemes	506	973
	<u>3,062</u>	<u>3,425</u>

Highest paid director:

Aggregate emoluments	1,663	1,388
Company pension contributions to money purchase pension schemes	435	534
	<u>2,098</u>	<u>1,922</u>

One director is accruing benefits under money purchase pension schemes.

ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 31 December 2001

7. TAX ON PROFIT ON ORDINARY ACTIVITIES	2001 £000	2000 £000
Corporation tax	7,648	955
Overprovision in prior years	(123)	(219)
Overseas tax	73	61
Deferred tax (note 14)	(140)	274
	<u>7,458</u>	<u>1,071</u>

8. TANGIBLE FIXED ASSETS

GROUP	Land & buildings £000	Plant, fixtures & vehicles £000	Assets under construction £000	Total £000
Cost				
At 30 November 2000	15,647	34,094	195	49,936
Additions	185	4,085	7,566	11,836
Reclassification	156	-	(156)	-
Disposals	-	(466)	-	(466)
At 31 December 2001	<u>15,988</u>	<u>37,713</u>	<u>7,605</u>	<u>61,306</u>
Depreciation				
At 30 November 2000	1,398	19,993	-	21,391
Charge for the period	689	4,948	-	5,637
Disposals	-	(458)	-	(458)
At 31 December 2001	<u>2,087</u>	<u>24,483</u>	<u>-</u>	<u>26,570</u>
Net book value				
At 31 December 2001	<u>13,901</u>	<u>13,230</u>	<u>7,605</u>	<u>34,736</u>
At 30 November 2000	<u>14,249</u>	<u>14,101</u>	<u>195</u>	<u>28,545</u>

The net book value of plant, fixtures & vehicles includes £2,056,000 (30.11.00 - £933,000) in respect of assets held under hire purchase contracts and finance leases.

The net book value of land and buildings comprises:

	31.12.01 £000	30.11.00 £000
Freehold land	3,337	3,337
Freehold buildings	9,756	10,104
Leasehold improvements	808	808
	<u>13,901</u>	<u>14,249</u>

ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 31 December 2001

8. TANGIBLE FIXED ASSETS (continued)

COMPANY	Land & buildings £000	Plant, fixtures & vehicles £000	Assets under construction £000	Total £000
Cost				
At 30 November 2000	15,647	33,666	195	49,508
Additions	185	4,085	7,566	11,836
Reclassification	156	-	(156)	-
Disposals	-	(466)	-	(466)
At 31 December 2001	15,988	37,285	7,605	60,878
Depreciation				
At 30 November 2000	1,398	19,565	-	20,963
Charge for the period	689	4,948	-	5,637
Disposals	-	(458)	-	(458)
At 31 December 2001	2,087	24,055	-	26,142
Net book value				
At 31 December 2001	13,901	13,230	7,605	34,736
At 30 November 2000	14,249	14,101	195	28,545

The net book value of plant, fixtures & vehicles includes £2,056,000 (30.11.00 - £933,000) in respect of assets held under hire purchase contracts and finance leases.

The net book value of land and buildings comprises:

	31.12.01 £000	30.11.00 £000
Freehold land	3,337	3,337
Freehold buildings	9,756	10,104
Leasehold improvements	808	808
	<u>13,901</u>	<u>14,249</u>

9. INVESTMENTS

COMPANY	£000	£000
Investment in subsidiary undertaking, at cost		
At 30 November 2000 and 31 December 2001	<u>41</u>	<u>41</u>

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

10. STOCKS

	31.12.01 £000	30.11.00 £000
Raw materials	623	294
Work in progress	1,190	822
Manufactured parts and finished goods	3,877	2,702
	<u>5,690</u>	<u>3,818</u>

ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 31 December 2001

11. DEBTORS	GROUP 31.12.01 £000	COMPANY 31.12.01 £000	GROUP 30.11.00 £000	COMPANY 30.11.00 £000
Trade debtors	7,096	7,096	1,168	1,168
Group undertaking	-	451	-	121
Tax and social security	1,508	1,508	477	477
Other debtors	893	521	515	126
Prepayments and accrued income	1,279	1,279	481	481
Loan	-	-	3,573	3,573
	<u>10,776</u>	<u>10,855</u>	<u>6,214</u>	<u>5,946</u>
Tax	130	130	312	312
	<u>10,906</u>	<u>10,985</u>	<u>6,526</u>	<u>6,258</u>
12. CREDITORS - amounts falling due within one year				
Trade creditors	11,308	11,308	7,705	7,705
Tax and social security	1,379	1,315	855	806
Accruals	1,277	1,242	3,903	3,543
Payments received on account	5,300	5,300	6,275	6,275
Other creditors	4,406	4,330	31	31
	<u>23,670</u>	<u>23,495</u>	<u>18,769</u>	<u>18,360</u>
Obligations under hire purchase contracts, finance leases and similar contracts	444	444	687	687
Corporation and similar tax	3,530	3,031	1,466	976
Bank loan	590	590	421	421
	<u>28,234</u>	<u>27,560</u>	<u>21,343</u>	<u>20,444</u>

Any bank overdraft is secured by a charge over the land and buildings. The bank loan is secured as described in note 13.

Trade creditors include certain suppliers who reserve title to the related goods until payment is made.

13. CREDITORS – amounts falling due after more than one year	GROUP 31.12.01 £000	COMPANY 31.12.01 £000	GROUP 30.11.00 £000	COMPANY 30.11.00 £000
Obligations under hire purchase contracts, finance leases and similar contracts	1,065	1,065	150	150
Bank loan	1,386	1,386	1,333	1,333
	<u>2,451</u>	<u>2,451</u>	<u>1,483</u>	<u>1,483</u>
Other creditors	378	378	-	-
	<u>2,829</u>	<u>2,829</u>	<u>1,483</u>	<u>1,483</u>
Hire purchase and loan financing payable:				
Within 1-2 years	935	935	571	571
Within 2-5 years	1,516	1,516	912	912
	<u>2,451</u>	<u>2,451</u>	<u>1,483</u>	<u>1,483</u>

The bank loan is secured on certain items of plant and machinery.

ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 31 December 2001

14. PROVISIONS FOR LIABILITIES AND CHARGES

	31.12.01	30.11.00
Deferred tax	£000	£000
At 30 November 2000	780	506
Charge for the period	(140)	274
At 31 December 2001	<u>640</u>	<u>780</u>
The deferred tax provision at 30% (30.11.00 - 30%) comprises:		
The excess of capital allowances over depreciation charged	856	818
Other short term timing differences	(216)	(38)
	<u>640</u>	<u>780</u>

15. CALLED UP SHARE CAPITAL

Authorised, allotted and fully paid:

Ordinary shares of £1 each	10	10
Divided into:	£	£
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
	<u>10,000</u>	<u>10,000</u>

All shares rank pari passu in all respects.

16. RELATED PARTY TRANSACTIONS

	Loans owed to group £000	Other amounts owed to (by) group £000	Sales by group £000	Purchases by group £000
By virtue of shareholding:				
Mr R S Penske was interested in:				
Penske Racing Inc.				
- period ended 31.12.01	-	71	2,269	311
- year ended 30.11.00	-	422	1,461	-
Messrs P J Morgan deceased, M J Illien, R S Penske and Daimler-Chrysler UK Holdings plc were interested in:				
Ilmor Engineering Inc.				
- period ended 31.12.01	-	(157)	1,057	3,245
- year ended 30.11.00	3,573	(2,303)	10,610	15,589
Daimler-Chrysler UK Holdings plc was interested in:				
Daimler-Chrysler AG Group				
- period ended 31.12.01	-	5,716	79,699	613
- year ended 30.11.00	-	(5,978)	73,780	1
Messrs P J Morgan deceased and M J Illien were interested in:				
Ilmor Directors' Pension Fund - rent				
- period ended 31.12.01	-	-	-	184
- year ended 30.11.00	-	(53)	-	131

· ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

NOTES TO THE FINANCIAL STATEMENTS (continued)

· Period ended 31 December 2001

16. RELATED PARTY TRANSACTIONS (continued)

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.

Provision was made during the period against a debt of £2,864,000 due from Ilmor Engineering Inc.

17. PROFIT FOR THE FINANCIAL PERIOD

The company has not presented its own profit and loss account, as permitted by Section 230 of the Companies Act 1985. The profit for the financial period included in the financial statements of the company amounted to £14,375,000 (30.11.00 - £2,962,000).

18. FUTURE CAPITAL EXPENDITURE

At 31 December 2001 the group had commitments under contracts placed in respect of capital expenditure of £4,560,000 (30.11.00 - £1,088,000).

19. FINANCIAL COMMITMENTS

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

	31.12.01	31.12.01	30.11.00	30.11.00
	Land and	Other	Land and	Other
	buildings		buildings	
	£000	£000	£000	£000
Over 5 years	170	628	170	644

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.

20. CONTINGENT LIABILITY

Under the terms of the company's Articles, if an election is made before 12 May 2003 either the company or the executors of P J Morgan deceased may require the company to buy back the shares of P J Morgan deceased at a price to be determined.

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	13 months ended 31.12.01 £000	12 months ended 30.11.00 £000
Profit for the period	14,675	2,994
Exchange loss on translation	(7)	(139)
	<hr/>	<hr/>
Shareholders' funds at 30 November 2000	14,668	2,855
	16,473	13,618
	<hr/>	<hr/>
Shareholders' funds at 31 December 2001	31,141	16,473



• ILMOR ENGINEERING LIMITED AND ITS SUBSIDIARY UNDERTAKING

NOTES TO THE FINANCIAL STATEMENTS (continued)

• Period ended 31 December 2001

22. CASH FLOW STATEMENT

	30 Nov 2000 £000	Cash flow £000	Exchange adjustments £000	Other non-cash changes £000	31 Dec 2001 £000
Analysis of net cash					
Cash at bank and in hand	1,190	10,307	15	-	11,512
Debt due after one year	(1,333)	(53)	-	-	(1,386)
Debt due within one year	(421)	(169)	-	-	(590)
Finance lease and hire purchase Obligations	(837)	1,049	-	(1,721)	(1,509)
	<u>(1,401)</u>	<u>11,134</u>	<u>15</u>	<u>(1,721)</u>	<u>8,027</u>

23. 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 £2,130,000 (30.11.00 - £2,267,000) and contributions of £nil (30.11.00 - £ nil) were prepaid at 31 December 2001.

24. CONTROLLING PARTY

Until 12 May 2001, the company was controlled by its directors, after which there is deemed to be no controlling party.