

MOTOR SPORT DEVELOPMENTS LIMITED

**REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 JANUARY 1999**



REGISTERED NUMBER: 2561542

MOTOR SPORT DEVELOPMENTS LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 1999**

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MOTOR SPORT DEVELOPMENTS LIMITED

**COMPANY INFORMATION
AT 31 JANUARY 1999**

DIRECTORS

D G Whitehead
A L Scott
B V Moloney (resigned 30/06/1999)

SECRETARY

W A Davies (resigned 30/4/1999)

REGISTERED OFFICE

12 Maryland Road
Tongwell
Milton Keynes
MK15 8HF

AUDITORS

Mercer & Hole
Chartered Accountants
420 Silbury Boulevard
Central Milton Keynes
Bucks
MK9 2AF

PRINCIPAL BANKERS

National Westminster plc
501 Silbury Boulevard
Saxon Gate East
Central Milton Keynes
MK9 3ER

MOTOR SPORT DEVELOPMENTS LIMITED

DIRECTORS' REPORT

The directors present their annual report with the financial statements of the company for the year ended 31 January 1999.

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 financial year 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, subject to any material departures disclosed and explained in the financial statements; and
- 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 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.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were the development of motor sport cars for rallying, racing and the supply of spare parts.

No significant change in the nature of these activities occurred during the year.

REVIEW OF THE BUSINESS

The net loss after providing for taxation amounted to £110,908.

The directors consider the results achieved on ordinary activities to be satisfactory in the light of current trading conditions. The financial position at the Balance Sheet date was also satisfactory.

DIVIDENDS

No dividends were paid during the year and no recommendation is made as to dividends.

POST BALANCE SHEET EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in financial years subsequent to the financial year ended 31 January 1999.

FUTURE DEVELOPMENTS

On the 11 June 1999 the company demerged its special vehicle operations division. It now trades as MSD Special Vehicle Operations Limited.

MOTOR SPORT DEVELOPMENTS LIMITED

DIRECTORS' REPORT

INTRODUCTION OF THE SINGLE EUROPEAN CURRENCY

The introduction of the Single European Currency has not had a significant impact on the business. The directors do not anticipate that the company will incur material costs as the result of this issue in the foreseeable future.

DIRECTORS AND THEIR INTERESTS

The directors in office in the year and their beneficial interests in the company at the balance sheet date and the beginning of the year (or on appointment if later) were as follows:

		Number of Shares	
		1999	1998
D G Whitehead	Ordinary £1 shares	3,750	3,750
A L Scott	Ordinary £1 shares	416	416
B V Moloney (resigned 30/06/1999)		-	-

Directors appointed since year end:

G I Hiskett (appointed 13/09/1999)

S J Hardman (appointed 31/03/1999)

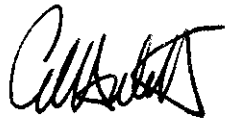
YEAR 2000 ISSUES

Prior to 31 December 1999 the directors undertook the actions necessary to ensure that all systems in operation on 1 January 2000 would continue to function after that date. Since the 1 January there have been no significant problems with any computer system and the directors do not anticipate that any future costs of modification relating to this matter will be significant.

AUDITORS

The company has elected to dispense with the annual appointment of auditors. In the absence of a specific resolution to the contrary Mercer & Hole will continue in office.

By order of the board:



G I Hiskett
Secretary

Date: 18th April 2000

MOTOR SPORT DEVELOPMENTS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 19 which have been prepared under the historical cost convention and on the basis of accounting policies set out on pages 8 and 9.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

As described in the directors' report, 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.

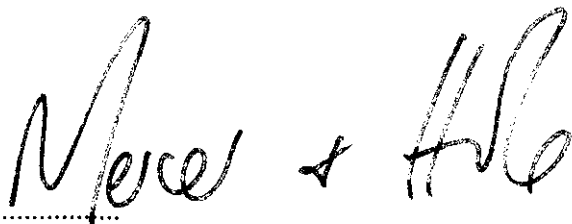
BASIS OF OPINION

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 as to whether 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.

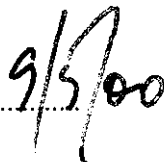
OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 January 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



.....
Mercer & Hole
Chartered Accountants
Registered Auditors
Milton Keynes

Date:



MOTOR SPORT DEVELOPMENTS LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 1999**

	Notes	1999 £	1998 £
TURNOVER	2	10,766,309	5,736,045
Cost of sales		9,053,595	4,497,853
GROSS PROFIT		1,712,714	1,238,192
Administrative expenses		1,791,915	1,203,915
OPERATING (LOSS) / PROFIT	3	(79,201)	34,277
Investment income and interest receivable	4	3,689	13,743
Interest payable and similar charges	5	(60,322)	(30,425)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(135,834)	17,595
Tax on (loss) / profit on ordinary activities	8	24,926	306
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(110,908)	17,901
RETAINED PROFIT BROUGHT FORWARD		363,871	345,970
RETAINED PROFIT CARRIED FORWARD		252,963	363,871

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

Total recognised gains and losses

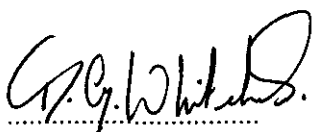
The company has no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 8 to 19 form part of these financial statements.

MOTOR SPORT DEVELOPMENTS LIMITED**BALANCE SHEET
AT 31 JANUARY 1999**

	Notes	£	1999 £	£	1998 £
FIXED ASSETS					
Tangible assets	9		810,744		715,341
Investments	10		14,004		10,000
			<u>824,748</u>		<u>725,341</u>
CURRENT ASSETS					
Stocks	11	1,038,980		515,787	
Debtors	12	866,210		1,754,869	
Cash at bank and in hand		1,146,549		47,720	
		<u>3,051,739</u>		<u>2,318,376</u>	
CREDITORS: amounts falling due within one year	13	<u>(3,386,866)</u>		<u>(2,529,645)</u>	
NET CURRENT LIABILITIES			<u>(335,127)</u>		<u>(211,269)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>489,621</u>		<u>514,072</u>
CREDITORS: amounts falling due after more than one year	14		<u>(226,242)</u>		<u>(139,785)</u>
NET ASSETS			<u>263,379</u>		<u>374,287</u>
CAPITAL AND RESERVES					
Called up share capital	15		4,166		4,166
Other reserves	16		6,250		6,250
Profit and loss account			252,963		363,871
TOTAL SHAREHOLDERS' FUNDS	17		<u>263,379</u>		<u>374,287</u>

Approved by the board of directors on 18/4/2000 and signed on its behalf by:



D G Whitehead
Director

The notes on pages 8 to 19 form part of these financial statements.

MOTOR SPORT DEVELOPMENTS LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JANUARY 1999**

	Notes	1999 £	1998 £
Net cash inflow from operating activities	3	543,417	267,787
Returns on investments and servicing of finance	18	(56,633)	(16,682)
Taxation	18	-	(28,194)
Capital expenditure	18	(68,414)	(264,942)
Acquisitions and disposals	18	(4,004)	(9,998)
Cash inflow / (outflow) before use of liquid resources and financing		414,366	(52,029)
Financing	18	(40,436)	(181,136)
INCREASE / (DECREASE) IN CASH IN THE YEAR		373,930	(233,165)

**RECONCILIATION OF NET CASH FLOW TO
MOVEMENT IN NET FUNDS / (DEBT)**

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INCREASE / (DECREASE) IN CASH IN THE YEAR	373,930	(233,165)
Cash outflow from movement in debt and lease financing	40,436	181,136
Change in net funds / (debt) debt resulting from cash flows	414,366	(52,029)
New hire purchase contracts	(191,101)	(273,930)
Movement in funds / (debt) in the year	223,265	(325,959)
Net (debt) / funds at 1 February 1998	(196,912)	129,047
Net funds / (debt) at 31 January 1999	26,353	(196,912)

The notes on pages 8 to 19 form part of these financial statements.

MOTOR SPORT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 1999

1. STATEMENT OF ACCOUNTING POLICIES

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

Consolidation

The company and its subsidiary comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by section 248 of the Companies Act 1985 not to prepare group accounts.

Turnover

Turnover represents the total invoice value, excluding value added tax, of goods sold and services rendered during the year.

Depreciation of tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its useful life:

Plant and equipment	16.5%-25% on NBV
Office equipment	25% on cost
Fixtures and fittings	25% on cost
Motor vehicles	25% on cost/Commercial vehicles 20% on cost

Government grants

Government grants in respect of revenue expenditure are credited to the profit and loss account in the same period as the related expenditure.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value. Those held as current assets are stated at the lower of cost and net realisable value.

Dividends are brought to account in the profit and loss account when received.

Research and development

Expenditure on development is written off in the year in which it is incurred or committed.

MOTOR SPORT DEVELOPMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 1999**

1. STATEMENT OF ACCOUNTING POLICIES - (continued)

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 the transaction. Exchange differences are taken into the profit and loss account for the year.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their estimated useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Pension costs

The company operates a defined contribution pension scheme. Contributions payable to this scheme are charged to the profit and loss account in the period to which they relate. These contributions are invested separately from the company's assets. The assets of the scheme are held in an independently administered fund.

Going concern

The financial statements have been prepared on a going concern basis. The continuation of the company's activities is dependent upon the continuing financial support of the bank and the directors.

2. TURNOVER

Turnover for the year includes a government grant of £67,230 receivable for a special development project. The company has chosen not to disclose the geographical split of turnover as it considers that this may be detrimental to the company.

MOTOR SPORT DEVELOPMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 1999**

3. OPERATING LOSS

Operating loss is stated:	1999	1998
	£	£
After charging:		
Depreciation of fixed assets	212,736	160,738
Auditors' remuneration	6,600	5,500
Hire of equipment	12,590	9,443
Loss on foreign currencies	32,901	-
Operating lease rentals		
Land and buildings	143,503	119,035
Plant and machinery	51,034	7,565

**Reconciliation of operating loss to net
cash inflow from operating activities**

	1999	1998
	£	£
Operating loss	(79,201)	34,277
Depreciation	212,736	160,738
Profit on disposal of fixed assets	(42,500)	(63)
Increase in stocks	(523,193)	21,287
Decrease in debtors	913,585	(796,539)
Increase in creditors	68,115	848,087
Other differences between cashflow and profit	(6,125)	-
Net cash inflow from operating activities	543,417	267,787

4. INVESTMENT INCOME AND INTEREST RECEIVABLE

	1999	1998
	£	£
Interest received and receivable		
Bank interest	3,689	13,743

MOTOR SPORT DEVELOPMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 1999**

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1999	1998
	£	£
On bank loans and overdrafts	21,304	7,801
Lease finance charges and hire purchase interest	33,836	22,461
Other interest	5,182	163
	<u>60,322</u>	<u>30,425</u>

6. INFORMATION ON DIRECTORS AND EMPLOYEES

	1999	1998
	£	£
Staff costs		
Wages and salaries	1,896,191	1,046,584
Social security costs	166,588	98,970
Other pension costs	23,758	15,873
	<u>2,086,537</u>	<u>1,161,427</u>

	1999	1998
	No.	No.
The average number of employees during the year was made up as follows:		
Administration	13	9
Workshop	52	27
Engineers	6	4
	<u>71</u>	<u>40</u>

	1999	1998
	£	£
Directors' emoluments		
Emoluments	<u>109,022</u>	<u>106,524</u>

MOTOR SPORT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 1999

7. PENSION COSTS

Defined contribution scheme

The pension cost charge represents contributions payable by the company to the fund and amounted to £23,758 (1998: £15,873).

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	1999	1998
	£	£
The taxation credit comprises:		
Adjustment in respect of prior years	<u>(24,926)</u>	<u>(306)</u>

9. TANGIBLE FIXED ASSETS

	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£
Cost:				
At 1 February 1998	496,491	138,437	496,252	1,131,180
Additions	267,301	156,345	116,181	539,827
Disposals	-	-	(411,068)	(411,068)
At 31 January 1999	<u>763,792</u>	<u>294,782</u>	<u>201,365</u>	<u>1,259,939</u>
Depreciation:				
At 1 February 1998	155,640	64,698	195,501	415,839
Charge for year	119,201	44,771	42,640	206,612
On disposals	-	-	(173,256)	(173,256)
At 31 January 1999	<u>274,841</u>	<u>109,469</u>	<u>64,885</u>	<u>449,195</u>
Net book value:				
At 31 January 1999	<u>488,951</u>	<u>185,313</u>	<u>136,480</u>	<u>810,744</u>
At 31 January 1998	<u>340,851</u>	<u>73,739</u>	<u>300,751</u>	<u>715,341</u>

MOTOR SPORT DEVELOPMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 1999**

9. TANGIBLE FIXED ASSETS - (continued)

**Included above are assets held under finance leases
or hire purchase contracts as follows:**

	1999	1998
	£	£
Net book values:		
Plant and machinery	181,081	161,979
Motor vehicles	102,681	106,482
Other assets	66,383	30,742
	<u>350,145</u>	<u>299,203</u>
Depreciation charge for the year:		
Plant and machinery	29,434	23,833
Motor vehicles	8,221	37,781
Other assets	10,633	8,090
	<u>48,288</u>	<u>69,704</u>

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

10. INVESTMENTS

Other investments other than loans

Shares in related undertakings:

Cost or valuation:	Beginning of year	Additions	End of year
	£	£	£
Shares:			
Group undertaking	10,000	4,004	14,004
Net book value	<u>10,000</u>		<u>14,004</u>

MOTOR SPORT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 1999

10. INVESTMENTS - (continued)

Investments in subsidiaries represent holdings of £1 Ordinary shares in the following companies all of which are dormant and all of which are registered in England:

Company	% of nominal held
MSD Rallying Limited	100%
Hades Forged Wheels Limited	50%
MSD Precision Engineering Limited	100%
MSD Special Vehicle Engineering Limited	100%

11. STOCKS

	1999	1998
	£	£
Raw materials and consumables	1,038,980	515,787

12. DEBTORS

	1999	1998
	£	£
Trade debtors	541,046	1,276,466
Director's current account	18,870	15,250
Other debtors	130,657	289,460
Prepayments and accrued income	175,637	173,693
	866,210	1,754,869

This represents the maximum amount outstanding on the directors account during the year.

MOTOR SPORT DEVELOPMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 1999**

13. CREDITORS: amounts falling due within one year

	1999	1998
	£	£
Bank loans and overdrafts	776,071	27,125
Net obligations under finance leases and hire purchase contracts	117,883	77,722
Trade creditors	1,056,170	309,208
Corporation tax	-	2
Other taxes and social security costs	67,287	47,214
Other creditors	1,219,172	1,471,744
Accruals	150,283	596,630
	<u>3,386,866</u>	<u>2,529,645</u>

Bank borrowings amounting to £843,304 (1998 - £27,125) are secured by a fixed and floating charge over all the assets of the company, a fixed charge over 12 Maryland Road, by a £100,000 guarantee by D G Whitehead, one of the company's directors and a further guarantee of £10,000 by A L Scott another director.

14. CREDITORS: amounts falling due after more than one year

	1999	1998
	£	£
Bank loans and overdrafts	67,233	-
Net obligations under finance leases and hire purchase contracts	159,009	139,785
	<u>226,242</u>	<u>139,785</u>

Bank loan consists of two loans; a fixed rate loan repayable at £2,397.54 per month and a loan repayable in gross monthly instalments of £2,408.49 attracting interest at 2.5% over the base rate.

MOTOR SPORT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 1999

15. SHARE CAPITAL

	1999 £	1998 £
Authorised:		
Equity interests:		
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid:		
Equity interests:		
Ordinary shares of £1 each	<u>4,166</u>	<u>4,166</u>

16. OTHER RESERVES

	1999 £	1998 £
Capital redemption reserve		
Balance at 1 February 1998 and 31 January 1999	<u>6,250</u>	<u>6,250</u>
Total other reserves	<u>6,250</u>	<u>6,250</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
(Loss) / profit for the year	(110,908)	17,901
Opening shareholders' funds	<u>374,287</u>	<u>356,386</u>
Closing shareholders' funds	<u>263,379</u>	<u>374,287</u>
Represented by:-		
Equity interests	<u>263,379</u>	<u>374,287</u>

MOTOR SPORT DEVELOPMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 1999**

18. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	1999 £	1998 £
Returns on investments and servicing of finance		
Interest received	3,689	13,743
Interest paid	(26,486)	(7,964)
Interest element of hire purchase contracts	(32,445)	(18,040)
Interest element of finance lease rental payments	(1,391)	(4,421)
Net cash outflow from returns on investments and servicing of finance	(56,633)	(16,682)
Taxation		
Corporation tax paid	-	(28,194)
Net cash outflow from taxation	-	(28,194)
Capital expenditure		
Purchase of tangible fixed assets	(348,726)	(327,042)
Receipts from sale of tangible fixed assets	280,312	62,100
Net cash outflow from capital expenditure	(68,414)	(264,942)
Acquisitions and disposals		
Purchase of subsidiary undertakings	(4,004)	(9,998)
Net cash outflow from acquisitions and disposals	(4,004)	(9,998)

MOTOR SPORT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 1999

18. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT - (continued)

	1999 £	1998 £
Financing		
New long-term loans	150,000	-
New short-term loans	-	1,973
Repayments of long term loans	(31,595)	(27,506)
Capital element of hire purchase contract payments	(131,716)	(155,603)
Repayment of short term loans	(27,125)	-
Net cash outflow from financing	(40,436)	(181,136)

19. ANALYSIS OF CHANGES IN NET FUNDS

	1998 £	Cash flow £	Other movements £	1999 £
Cash at bank and in hand	47,720	1,098,829	-	1,146,549
Bank overdraft	-	(724,899)	-	(724,899)
		373,930		
Debt due within one year	(27,125)	(24,047)	-	(51,172)
Debt due after one year	-	(118,405)	51,172	(67,233)
Hire purchase contracts and finance lease agreements	(217,507)	131,716	(191,101)	(276,892)
	(196,912)	363,194	(139,929)	26,353

20. REVENUE COMMITMENTS

At year end the company was committed to making the following payments during the next year in respect of operating leases with expiry dates as follows:

	Land and buildings		Other	
	1999 £	1998 £	1999 £	1998 £
More than one year and less than five years	72,225	-	8,949	4,431
More than five years	32,220	32,220	3,500	-
	104,445	32,220	12,449	4,431

MOTOR SPORT DEVELOPMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 1999**

21. CAPITAL COMMITMENTS

	1999	1998
	£	£
Details of capital commitments at the accounting date are as follows:		
Contracted but not provided for in the financial statements	-	14,963

22. POST BALANCE SHEET EVENTS

On the 11 June 1999 the company demerged it's special vehicle operations division. It now trades as MSD Special Vehicle Operations Limited.