

**ALCON COMPONENTS
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 1999



ALCON COMPONENTS LIMITED

FINANCIAL STATEMENTS

For the year ended 30 September 1999

Company registration number: 2613471

Registered office: Apollo
Lichfield Road Industrial Estate
Tamworth
Staffordshire
B79 7TN

Directors: Mr A I Fergusson
Mr P J Stubbs
Mr J B Moore
Mr N C Alldritt
Mr D J Hudson
Mr P J Smith

Secretary: Mr N C Alldritt

Bankers: National Westminster Bank Plc
103 Colmore Road
Birmingham
West Midlands
B3 3NS

Solicitors: George Green & Co
195 High Street
Cradley Heath
West Midlands
B64 5HW

Auditors: Grant Thornton
Registered auditors
Chartered accountants
30 Hounds Gate
Nottingham
NG1 7DH

ALCON COMPONENTS LIMITED

FINANCIAL STATEMENTS

For the year ended 30 September 1999

INDEX	PAGE
Report of the directors	1 - 2
Report of the auditors	3
Accounting policies	4 - 5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9 - 16

ALCON COMPONENTS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 30 September 1999.

Principal activities

The company is principally engaged in the manufacture of braking systems and clutches for race, rally and specialised road cars.

Business review

The directors are pleased with the performance of the company which has continued to grow in terms of both sales and profits. The customer base of the company is broadening, particularly in export markets which have accounted for most of the sales growth in the year. Ongoing investment in engineering resources enables the company to maintain leading edge product technology together with high levels of customer support.

During the year, the management team supported by 3i plc and National Westminster Bank plc formed Automotive Performance Technologies Ltd which acquired Alcon Components Ltd from Concentric plc on 2nd February 1999. The buy-out has subsequently progressed well and the directors are looking forward to continuing growth.

There was a profit for the year after taxation amounting to £701,890. There were interim dividends of £1,300,000 paid on 10 December 1998, and £310,000 paid on 29 September 1999. This represents the total for the year of £1,610,000.

Change in ownership

On 2 February 1999 Concentric Plc sold its 100% shareholding of Alcon Components Limited to Automotive Performance Technologies Limited which became the ultimate parent undertaking from that date.

Directors

The present membership of the Board is set out below.

The interests of the directors and their families in the shares of the company as at 30 September 1999 and 1 October 1998, or the date of their appointment to the Board if later, were as follows:

	Ordinary shares	
	30 September 1999	1 October 1998
Mr A I Fergusson (appointed 2 February 1999)	-	-
Mr P J Stubbs (appointed 2 February 1999)	-	-
Mr J B Moore (appointed 2 February 1999)	-	-
Mr N C Alldritt (appointed 29 September 1999)	-	-
Mr D J Hudson (appointed 26 April 1999)	-	-
Mr P J Smith (appointed 2 February 1999)	-	-

The interests of the directors in the shares of the ultimate parent undertaking are disclosed in the financial statements of that company.

Mr R F Miles and Mr P Lynam were appointed on 29 January 1999 and retired from the board on 2 February 1999. Mr R Hickman and Mr J Towers retired from the Board on 2 February 1999.

ALCON COMPONENTS LIMITED

REPORT OF THE DIRECTORS

Directors' responsibilities for the financial statements

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 judgements 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 maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Year 2000 Compliance

The company has reviewed its computer systems for the impact of the Year 2000 date change, prepared an action plan to address the issue and carried out all necessary measures. All systems have continued to operate over the Year 2000 date change and through any roll-over procedures that occurred at a later date.

The issue is complex, and no business can guarantee that there will be no Year 2000 problems. As all businesses are dependent on the compliance of their major customers, suppliers and other trading partners, any impact that has occurred on their systems will affect the company's business to a greater or lesser extent.

Auditors

Grant Thornton were appointed as auditors on 20 September 1999 and offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



N C Alldritt
Secretary

20 April 2000

**REPORT OF THE AUDITORS TO THE MEMBERS OF
ALCON COMPONENTS LIMITED**

We have audited the financial statements on pages 4 to 16 which have been prepared under the accounting policies set out on pages 4 to 5.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. 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 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 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 30 September 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

20 April 2000

ALCON COMPONENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Leasehold improvements	25%
Plant and machinery	20 - 33%

In the previous year Leasehold improvements were being depreciated over 50 years and Plant and Machinery were being depreciated over periods varying between four and twenty years. After the purchase of the company by Automotive Performance Technologies Limited the directors reviewed the fixed assets values and amended the rates accordingly.

STOCKS

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

DEFERRED TAXATION

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All other exchange differences are dealt with through the profit and loss account.

ALCON COMPONENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Defined benefit scheme

The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the average remaining service lives of current employees in the scheme.

During the year the Company was purchased by Automotive Performance Technologies Limited and the above scheme was frozen with no more contributions being made by the Company. The Company now contributes to a defined contribution scheme.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

RESEARCH AND DEVELOPMENT

Expenditure is written off as incurred.

ALCON COMPONENTS LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 30 September 1999

	Note	1999 £	1998 £
Turnover	1	5,616,376	4,313,426
Cost of sales		(3,085,870)	(2,616,103)
Gross profit		2,530,506	1,697,323
Administrative expenses		(1,585,422)	(1,304,680)
Other operating income		-	9,284
Operating profit		945,084	401,927
Interest payable and similar charges	2	(43,746)	-
Profit on ordinary activities before taxation	1	901,338	401,927
Tax on profit on ordinary activities	4	(199,448)	(160,038)
Profit for the financial year	15	701,890	241,889
Dividends	5	(1,610,000)	(134,496)
(Loss)/ profit transferred (from)/ to reserves	14	(908,110)	107,393

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

ALCON COMPONENTS LIMITED

BALANCE SHEET AT 30 SEPTEMBER 1999

	Note	1999 £	1999 £	1998 £	1998 £
Fixed assets					
Tangible assets	6		266,858		414,352
Current assets					
Stocks	7	449,706		386,033	
Debtors	8	1,051,847		778,217	
Cash at bank and in hand		520,601		823,058	
		2,022,154		1,987,308	
Creditors: amounts falling due within one year	9	(1,199,544)		(936,374)	
Net current assets			822,610		1,050,934
Total assets less current liabilities			1,089,468		1,465,286
Creditors: amounts falling due after more than one year	10		(560,292)		-
Provisions for liabilities and charges	12		(100,000)		(128,000)
			429,176		1,337,286
Capital and reserves					
Called up share capital	13		100		100
Profit and loss account	14		429,076		1,337,186
Shareholders' funds	15		429,176		1,337,286

The financial statements were approved by the Board of Directors on 20 April 2000.



A I Fergusson

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

ALCON COMPONENTS LIMITED**CASH FLOW STATEMENT**

For the year ended 30 September 1999

	Note	1999 £	1998 £
Net cash inflow from operating activities	16	920,199	447,970
Returns on investments and servicing of finance			
Interest paid		(33,128)	-
Net cash outflow from returns on investments and servicing of finance		(33,128)	-
Taxation		(137,348)	(168,690)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(70,436)	(337,959)
Sale of tangible fixed assets		-	11,125
Net cash outflow from capital expenditure and financial investment		(70,436)	(326,834)
Equity dividends paid		(1,703,500)	(122,996)
Financing			
Receipts from borrowings		815,000	-
Repayment of borrowings		(115,000)	-
Net cash inflow from financing		700,000	-
Decrease in cash	17	(324,213)	(170,550)

The accompanying accounting policies and notes form an integral part of these financial statements.

ALCON COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 1999

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover is attributable to the following classes of continuing business:

The turnover and profit before taxation are attributable to the manufacture of braking systems and clutches.

An analysis of turnover by geographical market is given below:

	1999 £	1998 £
United Kingdom	1,466,247	1,373,000
Europe	2,187,037	1,737,000
USA	1,727,785	1,002,000
Other	235,307	201,426
	<u>5,616,376</u>	<u>4,313,426</u>

The profit on ordinary activities is stated after:

	1999 £	1998 £
Auditors' remuneration	8,000	4,400
Depreciation and amortisation:		
Tangible fixed assets, owned	217,930	135,042
Other operating lease rentals	23,060	-
Exchange differences on foreign currency borrowings	10,618	-
Provisions in respect of overseas contract	157,907	-
	<u>517,515</u>	<u>139,442</u>

2 INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
On bank loans and overdrafts	33,128	-
Other interest payable and similar charges	10,618	-
	<u>43,746</u>	<u>-</u>

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	1999 £	1998 £
Wages and salaries	1,237,773	1,011,755
Social security costs	108,909	80,394
Other pension costs	51,752	52,255
	<u>1,398,434</u>	<u>1,144,404</u>

ALCON COMPONENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 1999

The average number of employees of the company during the year were as follows:

	1999 Number	1998 Number
Direct	22	16
Works	4	2
Staff	21	20
Directors	3	1
	<u>50</u>	<u>39</u>

Remuneration in respect of directors was as follows:

	1999 £	1998 £
Emoluments	<u>168,091</u>	<u>86,527</u>

During the year nil directors (1998: 1) participated in defined benefit pension schemes and 2 directors (1998: nil) participated in money purchase pension schemes.

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	1999 £	1998 £
UK Corporation tax at 30.5% (1998: 32%)	228,448	160,000
Deferred taxation	(5,000)	5,000
	<u>223,448</u>	<u>165,000</u>
Adjustments in respect of prior periods:		
Corporation tax	(24,000)	(4,962)
	<u>199,448</u>	<u>160,038</u>

5 DIVIDENDS

	1999 £	1998 £
Ordinary shares - interim dividends	1,610,000	40,996
Ordinary shares - final dividend	-	93,500
	<u>1,610,000</u>	<u>134,496</u>

ALCON COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 1999

6 TANGIBLE FIXED ASSETS

	Leasehold Improve- ments £	Plant and machinery £	Total £
Cost			
At 1 October 1998	69,960	939,717	1,009,677
Additions	-	70,436	70,436
At 30 September 1999	69,960	1,010,153	1,080,113
Depreciation			
At 1 October 1998	55,968	539,357	595,325
Provided in the year	13,992	203,938	217,930
At 30 September 1999	69,960	743,295	813,255
Net book amount at 30 September 1999	-	266,858	266,858
Net book amount at 30 September 1998	13,992	400,360	414,352

7 STOCKS

	1999 £	1998 £
Raw materials and consumable stores	449,706	386,033

8 DEBTORS

	1999 £	1998 £
Trade debtors	570,254	554,239
Amounts owed by group undertakings	443,616	187,506
Other debtors	17,867	36,472
Prepayments and accrued income	20,110	-
	1,051,847	778,217

ALCON COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 1999

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Bank loan and overdraft (security - see note 10)	172,082	-
Trade creditors	554,267	428,098
Amounts owed to group undertakings	-	58,640
Corporation tax	228,448	161,348
Social security and other taxes	29,144	21,766
Proposed dividends	-	93,500
Other creditors	35,498	-
Accruals and deferred income	180,105	173,022
	<u>1,199,544</u>	<u>936,374</u>

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1999 £	1998 £
Bank loan	<u>560,292</u>	<u>-</u>

The bank loan and overdraft in notes 9 and 10 are secured by a fixed and floating charges over the company's assets. The bank loan is repayable in equal monthly instalments of Euro 20,812 from November 1999 to March 2004.

Borrowings are repayable as follows:	1999 £	1998 £
Within one year		
Bank and other borrowings	172,082	-
After one and within two years		
Bank and other borrowings	163,992	-
After two and within five years		
Bank and other borrowings	396,300	-
	<u>732,374</u>	<u>-</u>

11 DEFERRED TAXATION

Deferred taxation provided for in the financial statements is set out below.

	Amount provided	
	1999 £	1998 £
Accelerated capital allowances	-	5,000
	<u>-</u>	<u>5,000</u>

ALCON COMPONENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 1999

12 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £	Other provisions £	Total £
At 1 October 1998	5,000	123,000	128,000
Provided during the year	-	27,000	27,000
Utilised during the year	(5,000)	(50,000)	(55,000)
At 30 September 1999	-	100,000	100,000

Due to the introduction of FRS 12 the previous year's provisions have been reallocated from Creditors: amounts falling due within one year to Provisions for liabilities and charges.

At the year end a provision of £100,000 has been recognised for expected warranty claims on products sold within the last financial year.

13 SHARE CAPITAL

	1999 £	1998 £
Authorised Ordinary shares of £1 each	100	100
Allotted, called up and fully paid Ordinary shares of £1 each	100	100

14 RESERVES

	Profit and loss account £
At 1 October 1998	1,337,186
Loss for the year	(908,110)
At 30 September 1999	429,076

ALCON COMPONENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 1999

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Profit for the financial year	701,890	241,889
Dividends	(1,610,000)	(134,496)
Net decrease in shareholders' funds	(908,110)	107,393
Shareholders' funds at 1 October 1998	1,337,286	1,229,893
Shareholders' funds at 30 September 1999	429,176	1,337,286

16 NET CASH INFLOW FROM OPERATING ACTIVITIES

	1999 £	1998 £
Operating profit	945,084	401,927
Depreciation	217,930	135,042
Loss on sale of tangible fixed assets	-	(3,773)
Increase in stocks	(63,673)	17,503
Increase in debtors	(273,630)	(229,899)
Increase in creditors and provisions	94,488	127,170
Net cash inflow from operating activities	920,199	447,970

17 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1999 £	1998 £
Decrease in cash in the year	(324,213)	(170,550)
Cash inflow from financing in the year	(700,000)	-
Change in net debt resulting from cashflows	(1,024,213)	(170,550)
Effect of foreign exchange changes	(10,618)	-
Movement in net debt in the year	(1,034,831)	(170,550)
Net funds at 1 October 1998	823,058	993,608
Net debt at 30 September 1999	(211,773)	823,058

ALCON COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 1999

18 ANALYSIS OF CHANGES IN NET DEBT

	At 1 October 1998	Cash flow	Exchange movement	At 30 September 1999
	£	£	£	£
Cash in hand and at bank	823,058	(302,457)	-	520,601
Overdrafts	-	(21,756)	-	(21,756)
Debt	-	(700,000)	(10,618)	(710,618)
	<u>823,058</u>	<u>(1,024,213)</u>	<u>(10,618)</u>	<u>(211,773)</u>

19 CAPITAL COMMITMENTS

	1999 £	1998 £
Contracted for but not provided in these statements	<u>140,000</u>	<u>40,000</u>

20 LEASING COMMITMENTS

Operating lease payments amounting to £58,939 (1998: £19,618) are due within one year. The leases to which these amounts relate expire as follows:

	1999		1998	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	-	2,319	-	2,714
Between one and five years	37,000	19,620	-	16,904
	<u>37,000</u>	<u>21,939</u>	<u>-</u>	<u>19,618</u>

21 CONTINGENT LIABILITIES

	1999 £	1998 £
Performance bonds and guarantees	<u>-</u>	<u>20,000</u>

ALCON COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 1999

22 PENSIONS

Defined Contribution Scheme

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

Defined Benefit Scheme

During the first part of the year the Company was part of the Concentric Group pension scheme which was a defined benefit, final salary pension scheme. Part way through the year the Company was purchased by Automotive Performance Technologies Limited and all payments to this scheme by the Company on behalf of the employees ceased. The Company now contributes towards the above defined contribution scheme.

23 TRANSACTIONS WITH RELATED PARTIES

As a wholly owned subsidiary of Automotive Performance Technologies Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Automotive Performance Technologies Limited.

24 ULTIMATE PARENT UNDERTAKING

On 2 February 1999 the company was purchased from Concentric Plc by Automotive Performance Technologies Limited.

The directors consider that the ultimate parent undertaking of this company is its parent company Automotive Performance Technologies Limited.

The largest group of undertakings for which group accounts have been drawn up is that headed by Automotive Performance Technologies Limited which is registered in England and Wales and the smallest such group of undertakings, including the company, is headed by Automotive Performance Technologies Limited.