

TopSpeed Development Centre Limited

REPORT AND FINANCIAL STATEMENTS

31 December 1998



TopSpeed Development Centre Limited

DIRECTORS AND OFFICERS

DIRECTORS

B Barrington
RD Rafalco

SECRETARY

RD Rafalco

REGISTERED OFFICE

Third Floor
16-22 Baltic Street
London EC1Y 0UL

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

TopSpeed Development Centre Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of TopSpeed Development Centre Limited for the year ended 31 December 1998.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the research and development of computer software.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The results for the year are shown on page 6. The work carried out during the year is considered to be highly satisfactory, and the various projects were completed on schedule and according to plan.

RESULTS AND DIVIDENDS

The trading profit for the year after taxation was £26,090.

The directors do not recommend the payment of a dividend.

DIRECTORS

The following directors have held office since 1 January 1998:

B Barrington
RD Rafalco

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors had no interest in the share capital of the company. One director had an interest in the shares of the ultimate holding company, TopSpeed Corporation, as shown below:

	31.12.98 Number	1.1.98 Number
B Barrington	3,275,969	3,275,969

Mr B Barrington is also trustee of the Barrington Trusts, which held 1,270,598 shares as at 31 December 1998 and 31 December 1997.

Mr B Barrington and Barrington Trusts hold the majority of the share capital of TopSpeed Corporation.

Directors' interests in share options of TopSpeed Corporation were as follows:

	31.12.98 Number	1.1.98 Number
RD Rafalco	181,600	131,600

TopSpeed Development Centre Limited

DIRECTORS' REPORT

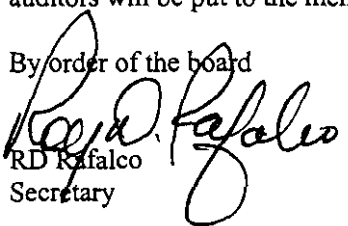
YEAR 2000

A centrally managed and co-ordinated programme is underway to address the impact on the company of the year 2000. All computer systems, telecommunication and other technical systems are being assessed. Many of the company's systems and processes are already compliant, and the directors anticipate that the programme including all necessary software modifications will be completed by the end of 1999.

AUDITORS

During the year Messrs PricewaterhouseCoopers resigned as auditors and Messrs Baker Tilly, Chartered Accountants were appointed in their place. A resolution to appoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board


RD Rafalco
Secretary

28/10/99

TopSpeed Development Centre Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF 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:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF TOPSPEED DEVELOPMENT CENTRE LIMITED

We have audited the financial statements on pages 6 to 12.

Respective responsibilities of directors and auditors

As described on page 4 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 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.

Fundamental uncertainty: going concern

The accompanying financial statements have been prepared assuming that the company will continue to trade as a going concern. As stated more fully in the accounting policies to the financial statements, the appropriateness of this basis of preparation is dependent upon the continued financial support of the immediate and ultimate holding companies, Clarion International Inc. and TopSpeed Corporation. All of the company's turnover is derived from the recharge of research and development expenditure to the holding company, Clarion International Inc. The directors have received representations from the directors of the holding companies of their intention to continue to provide financial support to the company for the period to at least 31 December 2000. However, both holding companies are technically insolvent and are dependent on the direct funding of their principal shareholders. In view of the significance of these matters we consider that they should be drawn to your attention, but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKERTILLY
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

28 OCTOBER 1999

TopSpeed Development Centre Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

	Notes	1998 £	1997 £
TURNOVER	1	824,617	677,728
Cost of sales		-	-
Gross profit		824,617	677,728
Distribution costs		-	(124)
Administrative expenses		(790,802)	(654,359)
Other operating income		-	3,576
OPERATING PROFIT		33,815	26,821
Interest payable and similar charges		(548)	(548)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	33,267	26,273
Taxation	4	(7,177)	(5,714)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		26,090	20,559
Retained profits brought forward		75,101	54,542
RETAINED PROFIT CARRIED FORWARD		101,191	75,101

The operating profit for the year arises from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

TopSpeed Development Centre Limited

BALANCE SHEET

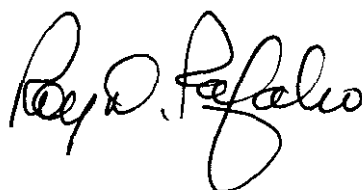
31 December 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	5	42,672	51,474
CURRENT ASSETS			
Debtors: due within one year	6	37,708	21,883
: due after more than one year	6	80,367	48,728
Cash at bank and in hand		30	25
		<u>118,105</u>	<u>70,636</u>
CREDITORS: Amounts falling due within one year	7	(59,584)	(45,605)
NET CURRENT ASSETS		<u>58,521</u>	<u>25,031</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		101,193	76,505
CREDITORS: Amounts falling due after more than one year	8	-	(1,402)
NET ASSETS		<u>101,193</u>	<u>75,103</u>
CAPITAL AND RESERVES			
Called up share capital	9	2	2
Profit and loss account		101,191	75,101
EQUITY SHAREHOLDERS' FUNDS	10	<u>101,193</u>	<u>75,103</u>

Approved by the board on

28/10/99

Director



TopSpeed Development Centre Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

GOING CONCERN BASIS

Cashflow forecasts have been considered for the period to 31 December 2000. The company is dependent upon the financial support of its immediate and ultimate holding companies, Clarion International Inc. and TopSpeed Corporation. The company has received representations from the directors of these companies of their intention to provide financial support to the company for the period to at least 31 December 2000. However, both companies are technically insolvent and are dependent on the direct funding of their principal shareholders.

In view of the representations received in respect of this continued support, the directors consider that the going concern basis is an appropriate basis for the preparation of the financial statements.

The financial statements do not include any adjustments that would result from a lack of financial support from the company's holding companies.

TANGIBLE FIXED ASSETS

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Leasehold property	20% pa on a straight line basis
Office equipment	10% pa on a straight line basis
Computer equipment	33% pa on a reducing balance basis.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

DEFERRED TAXATION

Provision is made for taxation deferred or accelerated by the effect of timing differences, to the extent that it is probable that a liability will crystallise, at the rate expected to be ruling at that date.

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

TopSpeed Development Centre Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

1 TURNOVER

The company's turnover and profit before taxation were all derived from its principal activity.

	1998 £	1997 £
2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation - owned assets	17,240	16,834
- leased assets	656	656
Auditors' remuneration	2,700	2,700
Operating lease rentals:		
Plant and machinery	1,776	4,437
Land and buildings	33,813	12,724
	<u> </u>	<u> </u>

	1998 No.	1997 No.
3 EMPLOYEES		

The average weekly number of persons (including directors) employed by the company during the year was:

Programmers and technical	13	12
	<u> </u>	<u> </u>

	1998 £	1997 £
Staff costs for the above persons:		
Wages and salaries	598,699	505,833
Social security costs	57,085	50,791
	<u>655,784</u>	<u>556,624</u>

DIRECTORS' REMUNERATION

No director received any remuneration during the year.

	1998 £	1997 £
4 TAXATION		
Based on the profit for the year:		
UK corporation tax	8,200	5,714
Overprovided in prior years	(1,023)	-
	<u>7,177</u>	<u>5,714</u>

TopSpeed Development Centre Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

5	TANGIBLE FIXED ASSETS	Short lease and leasehold improvements £	Office equipment £	Computer equipment £	Total £
	Cost				
	1 January 1998	35,322	8,630	48,434	92,386
	Additions	-	297	9,957	10,254
	Disposals	-	-	(13,135)	(13,135)
	31 December 1998	35,322	8,927	45,256	89,505
	Depreciation				
	1 January 1998	8,830	2,002	30,080	40,912
	Charged in the year	7,065	888	9,943	17,896
	Disposals	-	-	(11,975)	(11,975)
	31 December 1998	15,895	2,890	28,048	46,833
	Net book value				
	31 December 1998	19,427	6,037	17,208	42,672
	31 December 1997	26,492	6,628	18,354	51,474

Included in office equipment are assets held under finance leases with a net book value of £5,139.

The company had no capital commitments as at 31 December 1998 (1997 : £nil).

6	DEBTORS	1998 £	1997 £
	Other taxation	3,938	972
	Other debtors	9,237	9,237
	Prepayments and accrued income	24,533	11,674
		37,708	21,883
	Due after more than one year:		
	Amounts due from holding company	80,367	48,728
7	CREDITORS: Amounts falling due within one year	1998 £	1997 £
	Trade creditors	16,300	725
	Finance lease obligations (note 10)	1,857	1,828
	Corporation tax	7,698	7,521
	Other taxation and social security	19,319	20,840
	Accruals and deferred income	14,410	14,691
		59,584	45,605

TopSpeed Development Centre Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

	1998 £	1997 £
8 CREDITORS: Amounts falling due after more than one year		
Finance lease obligations (note 11)	-	1,402
	<u>-</u>	<u>1,402</u>

	1998 £	1997 £
9 SHARE CAPITAL		
Authorised:		
200 ordinary shares of £1 each	200	200
	<u>200</u>	<u>200</u>
Allotted, issued and fully paid:		
2 ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

	1998 £	1997 £
10 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS		
Profit for the financial year	26,090	20,559
Opening shareholders' funds	75,103	54,544
	<u>26,090</u>	<u>20,559</u>
Closing shareholders' funds	101,193	75,103
	<u>101,193</u>	<u>75,103</u>

11 COMMITMENTS UNDER FINANCE LEASES

At 31 December 1998 the company had annual commitments under non-cancellable finance leases as follows:

	1998 £	1997 £
Amounts payable within one year	1,857	1,828
Between two and five years	-	1,402
	<u>1,857</u>	<u>3,230</u>

TopSpeed Development Centre Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

12 COMMITMENTS UNDER OPERATING LEASES

At 31 December 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998 £	1997 £
Plant and machinery		
expiring in the first year	-	686
expiring in the second to fifth year	479	132
Land and buildings		
expiring between two and five years	36,750	35,500
	<u>37,588</u>	<u>36,318</u>

13 ULTIMATE HOLDING COMPANY

The ultimate holding company is TopSpeed Corporation which is incorporated in the USA. This is the holding company of the largest group of which TopSpeed Development Centre Limited is a member and for which consolidated accounts are prepared.

The holding company of the smallest group for which consolidated accounts are prepared is Clarion International Inc. which is also incorporated in the USA.

The consolidated accounts of the group are not available to the public.

The registered office of both companies is:

150 East Sample Road
Pompano Beach
Florida 33064
USA

14 RELATED PARTY TRANSACTIONS

The company earned revenues of £824,617 (1997: £677,728) from the holding company in respect of a software development agreement.

The company recharged costs of £45,180 (1997: £32,568) to a fellow subsidiary, TopSpeed Software Limited (TSL), in respect of salaries.

The company receives funds, remitted by the ultimate holding company, via TSL. Under an offset agreement these funds, totalling £792,988 in the year, are eliminated from the inter company accounts at 31 December 1998.

Details of balances with the group undertakings are given in note 6.

At 31 December 1998 the intercompany amounts payable to TopSpeed Software Limited and the ultimate holding company were eliminated against amounts owed to the holding company.