

Ilmor Engineering Limited

Annual Report and Financial Statements

Year Ended

31 December 2022

Company Number 05475534

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Ilmor Engineering Limited

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Company Information

Directors	R S Penske MIS Motors Holding AG S J O'Connor
Company secretary	P J Rogers
Registered number	05475534
Registered office	Quarry Road Brixworth Northamptonshire NN6 9UB
Independent auditor	BDO LLP Water Court Ground Floor - Suite B 116-118 Canal St Nottingham NG1 7HF

Ilmor Engineering Limited

Group Strategic Report For the Year Ended 31 December 2022

The Directors present their Strategic Report together with the audited financial statements for the year ended 31 December 2022.

Summary of principal activities

The principal activities of the Group and Company are the design, development, manufacture and testing of both internal combustion engines and electric powertrain units for a range of world renowned customers. Income derived from North American racing programmes remains at the core of the business and Ilmor is proud of its successful technical partnership with Chevrolet in the NTT Indycar Championship. Ilmor has also seen continued growth in motorsport and electric powertrain markets outside of North America.

Business review

2022 has seen an improvement in revenue on last year which continues the recovery from the worldwide pandemic. Operating profit excluding exceptional exchange losses has also improved.

The Consolidated Income Statement set out on page 11 shows the profit for the year after taxation of £285,579 (2021 - 216,220). The revenue in 2022 was £17,142,882 which represents an increase of £2,180,422 (15%) over the same period in 2021. Increased depreciation costs from the continued investment in fixed assets combined with increases in utility costs and exceptional exchange rate movements has resulted in an operating profit of £232,831 (2021 - £244,330). This profit is after exceptional exchange rate charges of £440,529 (2021 - £31,974).

The business continued to invest in its fixed asset base to maintain the capacity to work in this technically advanced environment. £1,264,643 was invested in tangible and intangible fixed asset additions during the year (2021 - £1,263,907).

The consolidated cash flow statement on pages 18 shows a net decrease in cash of £1,393,314 (2021 - decrease of £1,462,421) over the year. Net current assets at the end of the year stood at £4,744,168 (2021 - £585,383) and total assets less current liabilities were £12,794,799 (2021 - £8,853,338).

The management team meet regularly for business reviews and to identify trends in the key performance indicators of revenue, costs, profit, and cash. The business actively looks at long term solutions to maintain revenues and to those short-term actions that help to improve both profitability and cash flow.

Subsequent to 2022 these efforts to look for new and improved revenue opportunities have been rewarded with the Group becoming more profitable in 2023 accompanied by an increasingly strong cash balance. This gives the business the flexibility it requires to underpin investment and support growth.

Research and development

In total the Group invested £7,548,838 in R&D activities (£6,924,740 in 2021). This represented 44.0% of the annual revenue (46.6% in 2021). Net tax credits of £981,349 (2021 - £729,175) have been recognised in relation to R&D expenditure incurred in 2022.

Ilmor Engineering Limited

Group Strategic Report (continued) For the Year Ended 31 December 2022

Principal risks and uncertainties

Ukraine conflict

The business has considered the risks of the ongoing Ukraine and Russia conflict on the business and have assessed the risk to operations and cashflow as low on the basis that energy costs within the Company are on a fixed price long term multiyear supply agreement and that there are no direct or indirect customer or supplier relationships in the affected regions. The business will continue to monitor the risks in the financial year 2023.

Market risk

The market for engineering programmes and services remains extremely competitive, and new programmes of long term work are rarely awarded by OEM's, even with Ilmor's track record of success. The business recognises the importance of delivering for Ilmor's existing customers to ensure that we secure any related follow on business. At the same time Ilmor continues to develop new products to attract customers in new markets.

Recruitment and retention of staff

Ilmor understand that its people are its most valuable assets and are essential to its ability to deliver successful programmes of work. Staff retention levels are very good but the business understands that to maintain this talent pool it must offer competitive reward packages to its employees and a stimulating environment where their talents can benefit themselves and the Group.

A high fixed cost structure

The nature of the business requires a considerable capital investment programme to ensure that it has the tools to provide a world class facility for the design, manufacture and testing of our products. The business is therefore vulnerable when income levels fall. Management priority is given to identifying long term programmes of work to provide stability and underpin the core business, whilst maintaining the ability to respond to shorter term opportunities that may develop into larger programmes.

Financial risk management

Credit risk

Credit risks arise from the potential vulnerability of trade debtors. This risk is addressed by setting credit limits that are frequently reviewed in light of their customer payment histories.

Exchange rate fluctuations

The business holds a high proportion of its loan capital denominated in US Dollars and as such the valuation of these loans is subject to unrealised valuation differences from one accounting period to the next. In terms of trading arrangements, wherever possible, commercial agreements with overseas customers are denominated in GB Pounds to minimise trading exposures.

Interest rate fluctuations

Similarly, the business is vulnerable to upward changes in the interest rate thereby increasing the loan interest costs. All debt is currently on a floating rate basis, however the Directors are continuing to monitor the debt portfolio in light of interest rate changes.

Ilmor Engineering Limited

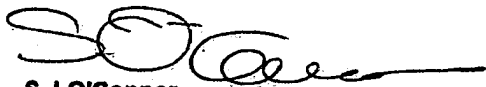
Group Strategic Report (continued) For the Year Ended 31 December 2022

Financial risk management (continued)

Liquidity

The business maintains adequate facilities to meet its day to day requirements, and maintains a rolling cash flow forecast to identify the net cash or funding needs on a month by month basis.

This report was approved by the board and signed on its behalf by:



S J O'Connor
Director

Date: 27/11/2023

Ilmor Engineering Limited

Directors' Report For the Year Ended 31 December 2022

The Directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the year, after taxation, amounted to £285,579 (2021 - £216,220).

Financial risk management objectives and policies

Financial risk management objectives and policies have been formulated by the Group to control the exposure to foreign currency exchange risk, credit risk, liquidity risk and cash flow risk.

Further disclosures are included in the Strategic Report.

Indemnity provisions

The Company has in place qualifying third party indemnity provisions for the benefit of its Directors.

Directors

The Directors who served during the year and up to the date of signing this report were:

R S Penske
MIS Motors Holding AG
S J O'Connor

Share issue

During the year an additional 10,204 (2021 - 30,612) Ordinary Shares were issued for a total consideration of £14,949 (2021 - £44,847). This increases the number of Ordinary Shares in issue to 2,540,816 (2021 - 2,530,612).

Going concern

Based on the forecasts prepared by the Directors, looking particularly at the current and future trading performance and with medium and long-term financing in place for 12 months from the date of signing these financial statements, the Directors are confident that there is sufficient funding in place for the continued operation of the business.

All shareholder loans are repayable in June 2025 and the bank loan from Barclays of £646,094 was renewed in February 2023 and is repayable in March 2026.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Ilmor Engineering Limited

Directors' Report (continued) For the Year Ended 31 December 2022

Post balance sheet events

There have been no significant events affecting the Group or the Company since the year end.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:



S J O'Connor
Director

Date: 27/11/2023

Ilmor Engineering Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2022

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

Ilmor Engineering Limited

Independent Auditor's Report to the Members of Ilmor Engineering Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Ilmor Engineering Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Consolidated Analysis of Net Debt and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Ilmor Engineering Limited

Independent Auditor's Report to the Members of Ilmor Engineering Limited (continued)

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report and Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Ilmor Engineering Limited

Independent Auditor's Report to the Members of Ilmor Engineering Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design and execute procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The design of our procedures is detailed below:

- Enquiring of management and the Directors, including obtaining and reviewing supporting documentation, concerning the Group and the Parent Company's policies and procedures relating to:
 - a) identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - b) detecting and responding to the risks of fraud and whether they had knowledge of any actual, suspected or alleged fraud; and
 - c) the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and the Parent Company based on our understanding of the business, sector experience and discussions with management. The most significant considerations are the application of UK Accounting Standards, the Companies Act 2006, corporate taxes and VAT legislation, employment taxes, health and safety and the Bribery Act 2010.
- Discussing amongst the engagement team to assess how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas:
 - a) management override of controls; and
 - b) revenue recognition, specifically the manipulation of revenue using fraudulent journals and the risk of bias in the assessment of revenue earned on development contracts.

We executed procedures in line with our responsibilities to detect material misstatements in respect of irregularities, including fraud. These procedures included the following:

- We made enquiries of management and the Directors and reviewed correspondence with the relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations.
- We tested the appropriateness of accounting journals and other adjustments made in the preparation of the financial statements. We used data assurance techniques to identify and analyse the complete population of all journals in the year to identify and substantively test any which we considered had the potential for management override.
- We reviewed the Group and Parent Company's accounting policies for non-compliance with relevant standards. Our work also included considering significant accounting estimates for evidence of misstatement or possible bias and testing any significant transactions that appeared to be outside the normal course of business.
- We critically assessed the appropriateness and tested the application of the revenue and cost recognition policies, with particular focus on development contracts.

Ilmor Engineering Limited

Independent Auditor's Report to the Members of Ilmor Engineering Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Extent to which the audit was capable of detecting irregularities, including fraud (continued)

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Andrew Mair

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Andrew Mair (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Nottingham
United Kingdom

Date: 27 November 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Ilmor Engineering Limited

Consolidated Income Statement For the Year Ended 31 December 2022

	Note	2022 £	As restated 2021 £
Turnover	4	17,142,882	14,962,460
Cost of sales	27	(14,089,614)	(12,857,830)
Gross profit	27	3,053,268	2,104,630
Administrative expenses	27	(3,530,756)	(2,863,155)
Exceptional administrative expenses	5	(440,529)	(31,974)
Other operating income	6	1,150,848	1,034,829
Operating profit	7	232,831	244,330
Interest receivable and similar income	10	25,206	2,131
Interest payable and similar expenses	11	(378,104)	(250,335)
Loss before tax		(120,067)	(3,874)
Tax on loss	12	405,646	220,094
Profit for the financial year		285,579	216,220
Profit for the year attributable to:			
Owners of the parent		285,579	216,220

Details of the restatement are provided in note 27.

The notes on pages 20 to 42 form part of these financial statements.

Ilmor Engineering Limited

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2022

	2022 £	2021 £
Profit for the financial year	285,579	216,220
Other comprehensive income		
Currency translation differences	41,684	11,737
Other comprehensive income for the year	41,684	11,737
Total comprehensive income for the year	327,263	227,957
Total comprehensive income attributable to:		
Owners of the parent Company	327,263	227,957

The notes on pages 20 to 42 form part of these financial statements.

Ilmor Engineering Limited
Registered number:05475534

Consolidated Statement of Financial Position
As at 31 December 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Intangible assets	13		414,391		482,151
Tangible assets	14		7,636,239		7,785,803
Investment property	16		1		1
			<u>8,050,631</u>		<u>8,267,955</u>
Current assets					
Stocks	17	1,360,033		1,198,377	
Debtors: amounts falling due within one year	18	5,053,577		3,155,563	
Cash at bank and in hand	19	1,171,562		2,564,876	
		<u>7,585,172</u>		<u>6,918,816</u>	
Creditors: amounts falling due within one year	20	(2,841,004)		(6,333,433)	
Net current assets			<u>4,744,168</u>		<u>585,383</u>
Total assets less current liabilities			<u>12,794,799</u>		<u>8,853,338</u>
Creditors: amounts falling due after more than one year	21		6,657,388		3,058,139
Capital and reserves					
Called up share capital	24	2,540,816		2,530,612	
Share premium account		18,980		14,235	
Profit and loss account		<u>3,577,615</u>		<u>3,250,352</u>	
Total equity shareholders funds			<u>6,137,411</u>		<u>5,795,199</u>
			<u>12,794,799</u>		<u>8,853,338</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



S J O'Connor
Director

Date: 27/11/2023

The notes on pages 20 to 42 form part of these financial statements.

Ilmor Engineering Limited
Registered number:05475534

Company Statement of Financial Position
As at 31 December 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Intangible assets	13		414,391		482,151
Tangible assets	14		7,636,239		7,785,803
Investments	15		61,500		61,500
			<u>8,112,130</u>		<u>8,329,454</u>
Current assets					
Stocks	17	1,360,033		1,198,377	
Debtors: amounts falling due within one year	18	5,130,134		3,132,882	
Cash at bank and in hand	19	974,227		2,112,498	
		<u>7,464,394</u>		<u>6,443,757</u>	
Creditors: amounts falling due within one year	20	(2,957,875)		(6,437,090)	
Net current assets			<u>4,506,519</u>		<u>6,667</u>
Total assets less current liabilities			<u><u>12,618,649</u></u>		<u><u>8,336,121</u></u>
 Creditors: amounts falling due after more than one year	 21	 	 6,657,388	 	 3,058,139
Capital and reserves					
Called up share capital	24	2,540,816		2,530,612	
Share premium account		18,980		14,235	
Profit and loss account		<u>3,401,465</u>		<u>2,733,135</u>	
Total equity shareholders funds			<u>5,961,261</u>		<u>5,277,982</u>
			<u><u>12,618,649</u></u>		<u><u>8,336,121</u></u>

Ilmor Engineering Limited
Registered number:05475534

Company Statement of Financial Position (continued)
As at 31 December 2022

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the Parent Company for the year was £668,330 (2021 - £195,753).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

S J O'Connor 
Director

Date: 27/11/2023

The notes on pages 20 to 42 form part of these financial statements.

Ilmor Engineering Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2022

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2022	2,530,612	14,235	3,250,352	5,795,199
Comprehensive income for the year				
Profit for the year	-	-	285,579	285,579
Currency translation differences	-	-	41,684	41,684
Total comprehensive income for the year	-	-	327,263	327,263
Contributions by and distributions to owners				
Shares issued during the year (note 24)	10,204	4,745	-	14,949
Total transactions with owners	10,204	4,745	-	14,949
At 31 December 2022	2,540,816	18,980	3,577,615	6,137,411

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2021	2,500,000	-	3,022,395	5,522,395
Comprehensive income for the year				
Profit for the year	-	-	216,220	216,220
Currency translation differences	-	-	11,737	11,737
Total comprehensive income for the year	-	-	227,957	227,957
Contributions by and distributions to owners				
Shares issued during the year	30,612	14,235	-	44,847
Total transactions with owners	30,612	14,235	-	44,847
At 31 December 2021	2,530,612	14,235	3,250,352	5,795,199

The notes on pages 20 to 42 form part of these financial statements.

Ilmor Engineering Limited

Company Statement of Changes in Equity For the Year Ended 31 December 2022

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2022	2,530,612	14,235	2,733,135	5,277,982
Comprehensive income for the year				
Profit for the year	-	-	668,330	668,330
Total comprehensive income for the year	-	-	668,330	668,330
Contributions by and distributions to owners				
Shares issued during the year (note 24)	10,204	4,745	-	14,949
Total transactions with owners	10,204	4,745	-	14,949
At 31 December 2022	2,540,816	18,980	3,401,465	5,961,261

Company Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2021	2,500,000	-	2,537,382	5,037,382
Comprehensive income for the year				
Profit for the year	-	-	195,753	195,753
Total comprehensive income for the year	-	-	195,753	195,753
Contributions by and distributions to owners				
Shares issued during the year	30,612	14,235	-	44,847
Total transactions with owners	30,612	14,235	-	44,847
At 31 December 2021	2,530,612	14,235	2,733,135	5,277,982

The notes on pages 20 to 42 form part of these financial statements.

Ilmor Engineering Limited

Consolidated Statement of Cash Flows For the Year Ended 31 December 2022

	2022 £	2021 £
Cash flows from operating activities		
Profit for the financial year	285,579	216,220
Adjustments for:		
Depreciation and amortisation of fixed assets	1,481,467	1,207,666
Profit on disposal of fixed assets	(24,000)	-
Amortisation of government grants	(121,500)	-
Net interest payable	352,898	248,204
Taxation credit	(405,646)	(220,094)
(Increase) in stocks	(161,656)	(294,925)
(Increase)/decrease in debtors	(1,368,956)	3,042,561
(Decrease) in creditors	(15,669)	(4,130,200)
Unrealised foreign exchange movement on long term loans	440,529	31,974
Corporation tax received/(paid)	40,757	(93,690)
(Increase) in R&D tax credits accrued	(981,349)	(900,216)
R&D tax credits received	794,893	545,672
Net cash generated from/(used in) operating activities	317,347	(346,828)
Cash flows from investing activities		
Purchase of intangible fixed assets	(70,000)	-
Purchase of tangible fixed assets	(1,194,643)	(1,263,907)
Sale of tangible fixed assets	24,500	-
Government grants received on tangible fixed assets	-	288,500
Interest received	25,206	2,131
Net cash used in investing activities	(1,214,937)	(973,276)

Ilmor Engineering Limited

Consolidated Statement of Cash Flows (continued) For the Year Ended 31 December 2022

	2022 £	2021 £
Cash flows from financing activities		
Issue of ordinary shares	14,949	44,847
Repayment of loans	(39,161)	(37,236)
Interest paid	(471,512)	(149,928)
Net cash used in financing activities	(495,724)	(142,317)
Net (decrease) in cash and cash equivalents	(1,393,314)	(1,462,421)
Cash and cash equivalents at beginning of year	2,564,876	4,027,297
Cash and cash equivalents at the end of year	1,171,562	2,564,876
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,171,562	2,564,876

Consolidated Analysis of Net Debt For the Year Ended 31 December 2022

	At 1 January 2022 £	Cash flows £	Other non- cash changes £	At 31 December 2022 £
Cash at bank and in hand	2,564,876	(1,393,314)	-	1,171,562
Other loans	(5,740,984)	-	(440,529)	(6,181,513)
Bank loans	(687,930)	39,161	-	(648,769)
	(3,864,038)	(1,354,153)	(440,529)	(5,658,720)

The notes on pages 20 to 42 form part of these financial statements.

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

1. General information

Ilmor Engineering Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page and the nature of the Group and the Company's operations and their principal activities are set out in the Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless specified otherwise and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the Group's accounting policies (see note 3).

The financial statements have been prepared in the Group's functional currency, pound sterling.

The following principal accounting policies have been consistently applied:

2.2 Parent company disclosure exemptions

In preparing the separate financial statements of the Parent Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- no cash flow statement has been presented for the Parent Company;
- disclosures in respect of the Parent Company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and
- no disclosure has been given for the aggregate remuneration of the key management personnel of the Parent Company as their remuneration is included in the totals for the Group as a whole.

2.3 Basis of consolidation

The consolidated financial statements incorporate the results of Ilmor Engineering Limited and all of its subsidiary undertakings as at 31 December 2022 using the acquisition method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

2.4 Going concern

Based on the forecasts prepared by the Directors, looking particularly at the current and future trading performance and with medium and long-term financing in place for 12 months from the date of signing these financial statements, the Directors are confident that there is sufficient funding in place for the continued operation of the business.

All shareholder loans are repayable in June 2025 and the bank loan from Barclays of £646,094 was renewed in February 2023 and is repayable in March 2026.

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Turnover is measured at fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Sale of goods

Turnover from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the customer in accordance with the contracted terms. For the sale of goods this reflects the contractual terms and can either be at the point of despatch or at the time of delivery.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract; and
- the stage of completion at the end of the reporting period can be measured reliably.

2.6 Intangible assets

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. Goodwill is being amortised over 20 years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed and any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	3% per annum
Plant and machinery	-	15% per annum
Motor vehicles	-	33% per annum
Fixtures and fittings	-	15% per annum
Computer equipment	-	33% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

2.9 Investment property

Investment property is carried at fair value determined annually and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Income Statement.

2.10 Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment. Investments held as current assets are stated at the lower of cost and net realisable value.

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.11 Stocks

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

Work in progress and finished goods are valued at the cost of labour and materials with an appropriate proportion of overheads based on the normal level of activity. Provisions are made where necessary to recognise the potential for slow moving stocks and the potential for reworking. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.13 Financial Instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.14 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 Government grants

Grants are accounted under the accruals model, unless the receipt of monies cannot be foreseen with reasonable certainty. Grants of a revenue nature are recognised in "other operating income" within the Income Statement, where receipt can be foreseen with reasonable certainty, in order to match income with the related expenditure.

Grants relating to expenditure on tangible fixed assets are credited to the Income Statement at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income. This includes the Electric Powertrain Test Facility (ePTF) - Foundations for Growth grant.

2.16 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'pounds sterling', which is the Company's functional and the Group's presentational currency.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date, including any goodwill in relation to that entity. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

(b) Transactions and balances

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

2.17 Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instruments contractual obligations, rather than the financial instruments legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

2.18 Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.19 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.20 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

2.21 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

2.22 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.23 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.24 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.25 Research and development

Expenditure on pure and applied research and development is charged to the profit and loss account in the year in which it is incurred.

R&D tax credits are accounted for under the accruals model, unless the receipt of monies cannot be foreseen with reasonable certainty. R&D tax credits are recognised in "other operating income" within profit or loss, where receipt can be foreseen with reasonable certainty, in order to match income with the related expenditure.

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The key sources of estimation uncertainty and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates about carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

In preparing these financial statements, the Directors have made the following estimates and judgements:

Indicators of impairment

Considered whether there are indicators of impairment of the Group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Goodwill and other intangible fixed assets (see note 13)

Intangible fixed assets are amortised over their useful economic lives. The economic life of the goodwill considered to be appropriate by the Directors is 20 years and has been determined based on the fact that there are large barriers to entry in this market.

Tangible fixed assets (see note 14)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Stock provisions (see note 17)

The Group has recognised provisions for the impairment of stock. The estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors. This includes obsolescence through technological or customer specific reasons. This provision is based on the assessment of stock value and ageing, quantities on hand, usage, changes in the market, technical developments and warranty periods. The value of stock in note 16 is net of the provision for the impairment of stock.

Revenue recognised on service contracts

The Group has recognised revenue on service contracts in line with the stage of completion of the contracts. Estimates have been made in relation to the stage of completion of the contracts based on negotiations and correspondence with the customers.

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

4. Turnover

Turnover is wholly attributable to the principal activity of the Group.

The analysis of turnover by geographical market required by paragraph 68 of Schedule 1 to the large and medium-sized companies and groups (accounts and reports) Regulations 2008 has not been provided as, in the opinion of the Directors, such disclosure would be seriously prejudicial to the interests of the Group.

5. Exceptional items

	2022 £	2021 £
Foreign exchange movement on loans	440,529	31,974

6. Other operating income

	2022 £	2021 £
Royalties received	39,122	36,577
Capital grant amortisation	121,500	91,125
Other foreign exchange gains	-	1,403
R&D tax credits	981,349	900,216
Other income	8,877	5,508
	<u>1,150,848</u>	<u>1,034,829</u>

7. Operating profit

The operating profit is stated after charging/(crediting):

	2022 £	2021 £
Research & development	7,548,838	6,924,740
Depreciation of tangible fixed assets	1,343,707	1,069,906
Amortisation of positive goodwill	137,760	137,760
Fees payable to the Company's auditor for the auditing of the Company's annual accounts	37,400	29,900
Fees payable to the Group's auditor and its associates for non-audit	26,185	20,375
Profit on disposal of fixed assets	(24,000)	-
Pension costs	<u>587,936</u>	<u>536,892</u>

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

8. Employees

Staff costs, including Directors' remuneration, were as follows:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Wages and salaries	7,061,747	6,472,406	6,495,839	5,991,630
Social security costs	761,284	679,820	761,284	679,820
Cost of defined contribution scheme	587,936	536,892	587,936	536,892
	<u>8,410,967</u>	<u>7,689,118</u>	<u>7,845,059</u>	<u>7,208,342</u>

The average number of employees (including Directors) during the year was 97 (2021 - 93).

9. Directors' remuneration

	2022 £	As restated 2021 £
Directors' emoluments	1,127,745	988,115
Group contributions to defined contribution pension schemes	4,000	4,000
	<u>1,131,745</u>	<u>992,115</u>

The total amount payable to the highest paid Director in respect of emoluments were £596,279 (2021 - £501,362). Company pension contributions of £4,000 (2021 - £4,000) were made to a money purchase scheme on their behalf.

Directors' emoluments for 2021 have been restated to incorporate £486,753 of Directors remuneration, which was incorrectly not included in Directors emoluments in the 2021 financial statements. There is no impact on the previously reported results.

10. Interest receivable and similar income

	2022 £	2021 £
Other interest receivable	<u>25,206</u>	<u>2,131</u>

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

11. Interest payable and similar expenses

	2022 £	2021 £
Bank interest payable	22,977	14,233
All other loans (including loans from group companies)	355,127	236,102
	<u>378,104</u>	<u>250,335</u>

12. Taxation

	2022 £	2021 £
Corporation tax		
Adjustments in respect of previous periods	-	107,466
Foreign tax		
Foreign tax on income for the year	5,850	6,172
Total current tax	<u>5,850</u>	<u>113,638</u>
Deferred tax		
Origination and reversal of timing differences	(368,241)	(205,012)
Adjustment in respect of prior periods/changes in tax rates	-	(29,856)
Remeasurement of deferred tax for changes in tax rates	(43,255)	(98,864)
Total deferred tax	<u>(411,496)</u>	<u>(333,732)</u>
Taxation on loss	<u>(405,646)</u>	<u>(220,094)</u>

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Loss on ordinary activities before tax	(120,067)	(3,874)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(22,813)	(736)
Effects of:		
Permanent fixed asset timing differences	(54,630)	(43,638)
Expenses not deductible for tax purposes	37	4,874
Lower rate taxes on overseas earnings	(5,000)	(3,153)
Adjustments in respect of prior periods	-	77,610
Impact of R&D tax credits	(48,718)	(387,454)
Remeasurement of deferred tax for changes in tax rates	(43,255)	(98,864)
Deferred tax asset not recognised	(231,267)	231,267
Total tax credit for the year	(405,646)	(220,094)

Factors that may affect future tax charges

The corporation tax is calculated at 19% (2021 - 19%) of the estimated assessable profit for the year. The government announced on 3 March 2021 that the UK corporation tax rate will increase to 25% from 1 April 2023. This was substantively enacted on 24 May 2021 and deferred tax balances have been calculated using the appropriate tax rate reflecting the point it is expected the timing differences will reverse.

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

13. Intangible assets

Group

	Computer software £	Goodwill £	Total £
Cost			
At 1 January 2022	-	2,772,951	2,772,951
Additions	70,000	-	70,000
At 31 December 2022	70,000	2,772,951	2,842,951
Amortisation			
At 1 January 2022	-	2,290,800	2,290,800
Charge for the year	-	137,760	137,760
At 31 December 2022	-	2,428,560	2,428,560
Net book value			
At 31 December 2022	70,000	344,391	414,391
At 31 December 2021	-	482,151	482,151

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

13. Intangible assets (continued)

Company

	Computer software £	Goodwill £	Total £
Cost			
At 1 January 2022	-	2,755,178	2,755,178
Additions	70,000	-	70,000
At 31 December 2022	70,000	2,755,178	2,825,178
Amortisation			
At 1 January 2022	-	2,273,027	2,273,027
Charge for the year	-	137,760	137,760
At 31 December 2022	-	2,410,787	2,410,787
Net book value			
At 31 December 2022	70,000	344,391	414,391
At 31 December 2021	-	482,151	482,151

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

14. Tangible fixed assets

Group and Company

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Computer equipment £	Total £
Cost						
At 1 January 2022	2,986,107	12,431,587	58,703	882,219	2,280,400	18,639,016
Additions	-	1,090,774	-	12,285	91,584	1,194,643
Disposals	-	(1,294,886)	-	-	(392,857)	(1,687,743)
At 31 December 2022	<u>2,986,107</u>	<u>12,227,475</u>	<u>58,703</u>	<u>894,504</u>	<u>1,979,127</u>	<u>18,145,916</u>
Depreciation						
At 1 January 2022	590,128	7,314,017	58,703	732,969	2,157,396	10,853,213
Charge for the year	60,123	1,163,111	-	57,512	62,961	1,343,707
Disposals	-	(1,294,886)	-	-	(392,357)	(1,687,243)
At 31 December 2022	<u>650,251</u>	<u>7,182,242</u>	<u>58,703</u>	<u>790,481</u>	<u>1,828,000</u>	<u>10,509,677</u>
Net book value						
At 31 December 2022	<u>2,335,856</u>	<u>5,045,233</u>	<u>-</u>	<u>104,023</u>	<u>151,127</u>	<u>7,636,239</u>
At 31 December 2021	<u>2,395,979</u>	<u>5,117,570</u>	<u>-</u>	<u>149,250</u>	<u>123,004</u>	<u>7,785,803</u>

The value of the land not depreciated is £1,180,605 (2021 - £1,180,605).

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

15. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 1 January 2022	61,500
At 31 December 2022	<u>61,500</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Ilmor AG Limited	Management services company	Ordinary	100%
Ilmor GP Limited	Dormant	Ordinary	100%
Brixworth Technology Park Freehold Limited	Property management services	Ordinary	100%

The registered address of Ilmor AG is Seestrasse 115, Ch-8806 Baech, Bäch Schwyz 8806, Switzerland.

The registered address of Ilmor GP Limited and Brixworth Technology Park Freehold Limited is Quarry Road, Brixworth, Northampton, NN6 9UB.

The Group agreed to guarantee the liabilities of Brixworth Technology Park Freehold Limited, thereby allowing this company to take exemption from an audit under Section 479A of the Companies Act 2006.

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

16. Investment property

Group

	Freehold investment property £
Valuation	
At 1 January 2022	1
At 31 December 2022	1

The freehold investment property relates to property held by Brixworth Technology Park Freehold Limited which is leased on a 999 year lease. Brixworth Technology Park Freehold Limited is a recharge company that manages the property for the lessees, but does not receive any economic benefit related to the residual interest in the property.

17. Stocks

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Work in progress	556,545	617,049	556,545	617,049
Finished goods and goods for resale	803,488	581,328	803,488	581,328
	<u>1,360,033</u>	<u>1,198,377</u>	<u>1,360,033</u>	<u>1,198,377</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

There are impairment provisions in relation to inventories recognised of £688,310 (2021 - £732,625).

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

18. Debtors

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade debtors	1,428,150	848,875	1,377,273	802,927
Amounts owed by group companies	-	-	150,877	94,312
Amounts owed by participating interests	16,174	31,278	-	-
Other debtors	851,841	244,982	845,821	239,238
Prepayments and accrued income	641,183	466,371	639,934	432,348
Tax recoverable	1,524,068	1,383,392	1,524,068	1,383,392
Deferred taxation (note 23)	592,161	180,665	592,161	180,665
	<u>5,053,577</u>	<u>3,155,563</u>	<u>5,130,134</u>	<u>3,132,882</u>

There was an impairment loss of £Nil (2021 - £7,251) recognised in the Group and Company Income Statement for the year in respect of bad and doubtful trade debtors.

19. Cash and cash equivalents

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Cash at bank and in hand	<u>1,171,562</u>	<u>2,564,876</u>	<u>974,227</u>	<u>2,112,498</u>

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

20. Creditors: amounts falling due within one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Bank loans (secured)	648,769	687,930	648,769	687,930
Other loans	-	3,280,220	-	3,280,220
Trade creditors	666,931	387,114	655,136	379,600
Amounts owed to group undertakings	-	-	155,992	177,422
Amounts owed to related party undertakings (note 26)	14,891	12,395	14,891	12,395
Corporation tax	5,122	4,295	-	-
Other taxation and social security	518,350	492,541	518,350	492,541
Accruals and deferred income	986,941	1,468,938	964,737	1,406,982
	2,841,004	6,333,433	2,957,875	6,437,090

At 31 December 2022, the bank loan due to Barclays, net of unamortised deal costs of £Nil (2021 - £Nil) was £648,769 (2021 - £687,930). Bank loans are secured by the way of a first legal charge over the freehold land and buildings of the Company. The loans attract interest of 2% above the Barclays Base Rate.

As at 31 December 2022, the Company has breached a financial covenant attached to bank facility of maintaining EBIT to gross financing cost 2.50 to 1. Accordingly, the loan of £648,769 has been classified as repayable on demand. Subsequent to the year end the facility agreement has been renegotiated and extended until February 2026.

21. Creditors: amounts falling due after more than one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Other loans	6,181,513	2,460,764	6,181,513	2,460,764
Accruals and deferred income	475,875	597,375	475,875	597,375
	6,657,388	3,058,139	6,657,388	3,058,139

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

22. Loans

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Amounts falling due within one year				
Bank loans	648,769	687,930	648,769	687,930
Other loans	-	3,280,220	-	3,280,220
	648,769	3,968,150	648,769	3,968,150
Amounts falling due 2-5 years				
Other loans	6,181,513	2,460,764	6,181,513	2,460,764
	6,830,282	6,428,914	6,830,282	6,428,914

The Other loans are unsecured. Following renegotiation of the repayment date concluded in March 2022 £3,280,220 is repayable in June 2025 in line with the other balance. Interest is charged on the loans at 4% (2021 - 4%) above the Bank of England Base Rate. £Nil (2021 - £Nil) of the loans were repaid in 2022.

23. Deferred tax

Group

	2022 £
At beginning of year	180,665
Credited to the profit or loss	411,496
At end of year	592,161

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

23. Deferred tax (continued)

Company

			2022 £
At beginning of year			180,665
Credited to the profit or loss			411,496
At end of year			<u>592,161</u>
	Group 2022 £	Group 2021 £	Company 2022 £
Accelerated capital allowances	(611,976)	(460,917)	(611,976)
Losses and other deductions	1,204,137	574,393	1,204,137
Short term timing differences	-	67,189	-
	<u>592,161</u>	<u>180,665</u>	<u>592,161</u>

The Group and Company has unrecognised corporate tax trading losses carried forward at 31 December 2022 of approximately £Nil (2021 - £925,068). No deferred tax asset was recognised on the losses in view of the uncertainty surrounding the extent and timing of future profits.

24. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
2,540,816 (2021 - 2,530,612) Ordinary shares of £1 each	<u>2,540,816</u>	<u>2,530,612</u>

On 20 December 2022, the Company issued an additional 10,204 Ordinary shares of £1 par value each for a total consideration of £14,949 at a premium of £0.465/share. This increases the number of ordinary shares in issue to 2,540,816.

25. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension charge amounted to £587,936 (2021 - £536,892). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

26. Related party transactions

	Sales to related parties £	Purchases from related parties £	Amounts owed to related undertakings £	Interest charged £
2022				
Ilmor Engineering Inc	3,874,706	3,303,560	14,891	-
Penske Racing of Delaware (Delaware Corporation)	-	-	3,557,969	230,789
Mario Illien	-	-	2,623,544	124,338
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2021				
Ilmor Engineering Inc	3,368,751	3,491,925	12,935	-
Penske Racing of Delaware (Delaware Corporation)	-	-	3,280,220	134,544
Mario Illien	-	-	2,460,764	99,600
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Key management personnel include all directors and a number of senior managers across the Group who together have authority and responsibility for planning, directing and controlling the activities of the Group. The total compensation paid to key management personnel for services provided to the Group was £979,032 (2021 - £701,971).

The Company has taken advantage of the exemption offered by Financial Reporting Standard 102 (Section 33) from the requirement to disclose transactions with other group companies that are 100% owned.

Ilmor Engineering Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

27. Prior period adjustment

The Group has identified a prior period error in the period ended 31 December 2021 in respect of classification of depreciation relating to assets employed in providing services to customers.

This error led to the understatement of cost of sales and overstatement of administrative expenses and gross profit as at 31 December 2021.

This error has been corrected by restating prior year numbers as follows:

	Previously stated at 31 December 2021 £	Restatement £	Restated at 31 December 2021 £
Administrative expenses	3,933,061	(1,069,906)	2,863,155
Cost of sales	11,787,924	1,069,906	12,857,830
Gross profit	3,174,536	(1,069,906)	2,104,630

This restatement has no other impact on these financial statements.

28. Ultimate parent company and parent undertaking of larger group

The Directors do not consider there to be one ultimate controlling party of the Group due to the shareholding structure.