

TWR GROUP LIMITED



Report and Financial Statements 1998

TWR GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 1998

CONTENTS

	Page
Report from the Chairman	3
Report of the Directors	7
Report of the Auditors	10
Consolidated Profit & Loss Account	11
Consolidated Balance Sheet	12
Balance Sheet	13
Consolidated Cash Flow Statement	14
Statement of Total Recognised Gains and Losses	15
Notes to the Financial Statements	16
Directors, Officers and Advisers	34

RESULTS

The results for last year included the first full year of production at AutoNova AB, our manufacturing subsidiary in Sweden. Turnover was up by 89% to £293m and Operating Profit was up by 23% to £5.4m from £4.4m in 1997. Group Profits before Taxation were down to £3.6m from £5.1m which was largely the result of higher interest charges arising from the effects of C70 production ramping up and new investment at the Uddevalla plant in Sweden.

AUTOMOTIVE ENGINEERING ACTIVITIES

This was a unique period of engineering consultancy activity as it covered a broad spectrum of transport vehicles, including TWR styled and engineered small cars, large saloons, buses, taxis and a medium size truck. During 1998, the TWR Engine Division was responsible for the manufacture of the Aston Martin DB7 engine, which finished its production run in December at 2,500 units. A major new styling exercise was completed in the year for this customer further strengthening our existing links with the Ford Motor Company.

The development of the Saab Viggen 2.3L Turbo engine and vehicle programme was completed for series production to start at Saab in January 1999.

During last year for Volvo Car Corporation TWR Engineering managed the C70 model year changes, and carried out various feasibility programmes for new products.

Other projects undertaken for manufacturers and performed on a confidential basis, included the following:

A project was completed for a German manufacturer to engineer an enhanced performance version of a medium size saloon; this has led to a new customer relationship, which is being developed.

Against strong competition TWR were also successful in winning a small car fuel economy programme, for another major manufacturer.

During the year, a volume estate car styling and concept feasibility project was completed for a UK customer, achieving high levels of customer satisfaction.

For a large Japanese manufacturer TWR successfully completed a series of chassis modifications to improve ride and handling for a medium sized mainstream vehicle that is sold in Europe.

Engineering and styling also completed a large luxury showcar model for a UK company that was acknowledged as setting new standards for quality within the customer's business.

TWR Sweden AB and Manova Engineering AB

TWR Sweden carries out product and process development and engineering consultancy within the automotive industry. The company is involved in various projects including the continued product maintenance of the Volvo C70, and the development of a new Taxicab for which the first prototypes were produced in the year.

Manova an Engineering company, which is 75% owned by TWR Sweden, develops flexible production processes for the manufacturing industry. During the year the company developed certain highly flexible automated welding systems for internal application and developed new equipment for the packaging industry.

Both these companies support the Group's Swedish manufacturing operations.

Design Studio

Throughout the past year TWR Design has completed several full size models for programmes commissioned by Ford, Aston Martin, Rover and Bentley. The addition of two measuring machines has allowed more efficient use of the Leafield Design Studios the benefit of this being apparent when working with more than one client. In addition to major exterior programmes TWR Design has been involved with a number of 'facelift' projects and detailed design work.

The greatest increase in activity has been with the use of Alias 2D and 3D CAD systems. Almost all rendering work is now produced on Alias and much 3D work is processed using Alias. This system saves design and modeling time allowing a greater number of ideas to be investigated. The use of Alias, in conjunction with the new Virtual Reality Centre, is expected to increase dramatically over the next few years.

MANUFACTURING ACTIVITIES**AutoNova AB**

The manufacturing joint venture with Volvo, based in Uddevalla Sweden, ramped up production levels for the C70 Coupe during the second quarter of the year. A total of 9,213 coupes were factory completed in the year. The quality of manufactured cars is considered excellent by various internal measures and external quality surveys such as J.D.Power

The C70 convertible was produced only for the North America market, with the European market introduction planned for the spring of 1999. The corresponding convertible volume ramp up to support the European launch commenced in the last quarter of 1998. The 99 Model Year convertible was successfully launched and a total of 1,105 convertibles were factory completed in the year making a total of 10,318 vehicles completed and a plan was agreed to increase this to 15,000 vehicles in 1999.

OmniNova Technologies AB

TWR has a 65% shareholding in OmniNova; a joint venture with Volvo Bus Corporation which was established in Uddevalla, Sweden to develop, design and manufacture bus products. During the year the company manufactured bus chassis prototypes and during 1999 low volume frame production starts with serial production planned to commence early in the year 2000. During the year the company continued with the development of its mini-bus products, both the original "MultiRider" and the extended "Maxi-Rider" versions, which are being manufactured in Sweden.

Holden Special Vehicles - HSV

HSV designs engineers and manufactures a special range of high performance vehicles in association with GM Holden Pty ("Holden") in Australia and New Zealand.

During the year, Holden celebrated its 50th Anniversary in Australia with HSV playing a prominent role in a number of activities. A special range of HSV 10th Anniversary cars was also successfully released in 1998.

Following a difficult year in 1997, 1998 saw the successful transformation to the new VT range introduced in late 1997. Despite some early concerns with inventory shortages, the second half of the year saw a surge in demand for our product with 2,253 vehicles produced for the year.

Following Holden's successful introduction of LHD Commodores, HSV is actively pursuing export markets in the Middle East and Asia.

Holden by Design - HBD

HBD is a subsidiary of HSV established in 1995 to provide the Holden Dealer network retail section with ready access to factory approved options and to handle modification and specification changes that are not easily accommodated in Holden's assembly line. HBD is conveniently located alongside the assembly line in Adelaide.

In 1998, HBD completed in excess of 49,000 vehicle conversions on behalf of Holden and the Dealership group. Holden contract work (Export Preparation and Telstra) and the ever-expanding range of HBD Designer Options continued to flourish during the year. Sales exceeded \$10m surpassing all forecasts.

RACING CAR ACTIVITIES

In 1998 TWR successfully competed globally at the most senior levels of motorsport.

TWR Racing

Volvo/BTCC – In the second year of competition for the Volvo S40, TWR delivered the coveted British Touring Car Championship title to racing partner Volvo after a superbly competitive season. The Team's lead driver, Rickard Rydell, scored 5 wins and 19 podiums from the 26 race series on his way to the Championship.

The BTCC Volvo S40 Racing car engine was built and maintained from the TWR Engines Division, and during the year a new engine test cell was commissioned to support racing activities.

In October, TWR also won the blue riband Bathurst 1000kms race in Australia, finishing off a year in which TWR and Volvo were very much number 1 in the Touring Car world.

Nissan/Le Mans – 1998 was the second year of the two-year agreement with Nissan Motor Co., to design, build and race a road homologated GT1 Sportscar at the classic Le Mans 24 hour race. This project has been unique in bringing together eastern and western cultures operating within a highly stressed Team environment.

The 3 works cars and one privateer car finished in the top 10, with the leading car securing Nissan's highest ever finish, the first ever podium for a Japanese driving crew and the highest overall team finish, beating Mercedes, Porsche, Audi, BMW, Chrysler, Toyota, Ferrari and Panoz.

Arrows

TWR continued to provide design and engineering services to the Arrows Grand Prix Team in 1998.

The A19 (new F1 car) designed and built at Leaffield, was widely acknowledged as one of the best engineered cars on the grid and was presented in a stunning black livery for new driver Mika Salo and team-mate Pedro Diniz.

After the withdrawal of Yamaha at the end of 1997, Arrows also decided to develop its own V10 engine for the 1998 Formula 1 World Championship season. This was a mammoth task for TWR's F1 engine division and the Team.

The Team's efforts were rewarded by a superb 4th and 6th place finish at Monaco, followed by a 5th place finish at Spa, two of the most demanding races in the Formula 1 season.

Australian Touring Cars

The Holden Racing Team, which is owned managed and operated by TWR, had a very successful season during 1998, winning the Australian Touring Car Championship. The Team continues to grow the HRT brand throughout Australia and New Zealand. HRT's high profile activities enhance the appeal and value of the entire HSV range of products.

YEAR 2000 COMPLIANCE

A review has taken place within the business of the potential for disruptions to computer systems and equipment from the date change to the year 2000. Procedures are well advanced for dealing with potential issues and there have been no significant risks for the business that have been identified that cannot be addressed before the necessary deadlines. The vast majority of the systems were already year 2000 compliant and the cost of implementing the action plans required have been immaterial.

OUTLOOK

The continued strength of the pound against the majority of currencies, particularly the Euro is expected to make trading conditions difficult. TWR, however is a business that does not just win business on price alone, our reputation for efficiency and complete engineering and manufacturing solutions is spreading and our ability to reduce lead times and manage niche vehicle programmes effectively provide us with further opportunities to win business by demonstrating significant cost savings and other opportunities to vehicle OEMs when viewed against their own "in-house" programmes. I believe we can seek out sufficient opportunities of this nature to continue to move the business forward over the forthcoming months.

MANAGEMENT AND EMPLOYEES

Finally I would like to thank everyone throughout the Group for their continued support and co-operation during the year; we hope that the coming year will see a further improvement in the Group's affairs.



T D T WALKINSHAW
Chairman

The directors have pleasure in submitting their report and the audited financial statements for the year ended 31st December 1998.

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group are unchanged from last year, and are those of automotive engineering, manufacturing and motor car racing. The Report from the Chairman provides a detailed review of the activities, development and progress of the Group.

2. RESULTS AND DIVIDENDS

The profit for the year, after taxation and minority interests, amounted to £2,190,000 (1997 : £4,146,000). The Directors recommend a final dividend of £nil (1997: £1,400,000). No interim dividend was paid (1997: £1,000,000).

3. DIRECTORS

The directors who served during the year and the beneficial and family interests of those serving at the end of the year in the share capital of the Company, as shown by the Register of Members maintained pursuant to the Companies Act 1985, were as follows:

	1998	1997
	Ordinary Shares	
T D T Walkinshaw	8,000,001	8,000,001
R S Silman	-	-
S Fernback	-	-
F Briatore	-	-
G Zoppas	-	-
D Mills	-	-

4. DEVELOPMENT OF ACTIVITIES

The Group is committed to the development of its activities in order to secure its position as market leader in the automotive engineering sector.

5. EMPLOYEES

During the year the Group continued its policy of full involvement of employees wherever possible. This has taken place through the provision of Company information, consultation on policy issues where appropriate, and the mutual setting of objectives against which performance is measured. The Group takes the approach of maximising performance through the heightening of awareness of Company and Group policies.

The Group does not discriminate against disabled persons.

6. DIRECTORS RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the profit and loss of the Group for that period. In preparing those financial statements, the directors are required to:

- a. select appropriate accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

7. DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the Company purchased and maintained liability insurance for its directors and officers as permitted by Section 310(3) of the Companies Act 1985.

REPORT OF THE DIRECTORS

TWR GROUP LIMITED
and subsidiary companies

8. AUDITORS

A resolution to re-appoint Arthur Andersen as auditors will be proposed at the Annual General Meeting.

Approved by the Board of Directors
and signed on its behalf

A handwritten signature in black ink, appearing to read 'A D Mitchell', with a large, stylized 'D' at the end.

A D MITCHELL
Secretary

24th August 2000

REPORT OF THE AUDITORS
To the shareholders of TWR Group Limited

We have audited the accounts on pages 11 to 33 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 16 to 17.

Respective responsibilities of directors and auditors

As described on page 8 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, 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 accounts 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 accounts.

Opinion

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



Arthur Andersen
Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

24th August 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 1998

TWR GROUP LIMITED
and subsidiary companies

	Note	£'000	1998 £'000	£'000	1997 £'000
TURNOVER – continuing operations	2		292,638		154,704
Cost of Sales			(198,822)		(92,054)
GROSS PROFIT			93,816		62,650
Administrative Expenses			(88,455)		(58,292)
OPERATING PROFIT – continuing operations			5,361		4,358
Profit on disposal of properties			206		500
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST			5,567		4,858
Interest receivable and similar income	6	1,194		1,277	
Interest payable and similar charges	7	(3,205)		(1,048)	
			(2,011)		229
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2 & 3		3,556		5,087
Taxation	8		(1,356)		(938)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			2,200		4,149
Minority Interests - Equity Interests			(10)		(3)
			2,190		4,146
DIVIDENDS					
Ordinary dividends on equity shares	9		-		(2,400)
RETAINED PROFIT	21		2,190		1,746

CONSOLIDATED BALANCE SHEET
31 December 1998

TWR GROUP LIMITED
and subsidiary companies

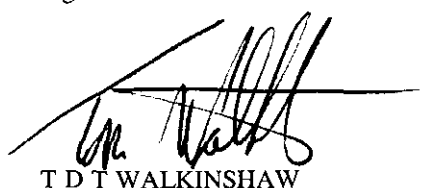
	Note	1998 £'000	1997 £'000
FIXED ASSETS			
Intangible assets	11	376	400
Tangible assets	12	54,831	58,899
Investments	13	7,545	10,908
		<u>62,752</u>	<u>70,207</u>
CURRENT ASSETS			
Stocks	14	27,276	27,826
Debtors: falling due within one year	15	39,684	34,656
Debtors: falling due after one year	16	11,062	8,540
Cash at bank and in hand		1,249	8,078
		<u>79,271</u>	<u>79,100</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	(74,527)	(86,888)
NET CURRENT ASSETS/(LIABILITIES)		<u>4,744</u>	<u>(7,788)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>67,496</u>	<u>62,419</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	(27,241)	(27,728)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(2,577)	(1,194)
		<u>37,678</u>	<u>33,497</u>
CAPITAL AND RESERVES			
Called up share capital	20	20,000	20,000
Reserves	21	10,188	9,615
Shareholders' Funds :			
Equity	20	26,188	25,615
Non-equity	20	4,000	4,000
Minority Interests	22	30,188 7,490	29,615 3,882
TOTAL CAPITAL AND RESERVES		<u>37,678</u>	<u>33,497</u>

BALANCE SHEET
31 December 1998

TWR GROUP LIMITED

	Note	1998 £'000	1997 £'000
FIXED ASSETS			
Intangible assets	11	350	400
Tangible assets	12	15,664	19,614
Investments	13	16,627	16,090
		<u>32,641</u>	<u>36,104</u>
CURRENT ASSETS			
Stocks	14	11,406	14,894
Debtors: falling due within one year	15	23,629	24,806
Debtors: falling due after one year	16	23,722	21,202
Cash at bank and in hand		-	1,653
		<u>58,757</u>	<u>62,555</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	<u>(52,268)</u>	<u>(54,498)</u>
NET CURRENT ASSETS		<u>6,489</u>	<u>8,057</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>39,130</u>	<u>44,161</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	<u>(9,495)</u>	<u>(13,667)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	19	<u>(2,031)</u>	<u>(1,086)</u>
		<u>27,604</u>	<u>29,408</u>
CAPITAL AND RESERVES			
Called up share capital	20	20,000	20,000
Reserves	21	7,604	9,408
Shareholders' Funds:			
Equity	20	23,604	25,408
Non-equity	20	4,000	4,000
TOTAL CAPITAL AND RESERVES		<u>27,604</u>	<u>29,408</u>

Signed for and on behalf of the Board of Directors


T D T WALKINSHAW

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 1998

	Note	1998 £'000	1997 £'000
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	23	(9,200)	5,405
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest received		483	671
Interest paid		(2,277)	(513)
Interest element of lease rentals		(849)	(535)
		<hr/>	<hr/>
Net cash (outflow) from returns on investment and servicing of finance		(2,643)	(377)
TAXATION			
Overseas tax paid		(345)	(916)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(10,957)	(23,654)
Sale of fixed assets		9,460	4,746
		<hr/>	<hr/>
		(1,497)	(18,908)
EQUITY DIVIDENDS PAID		(1,400)	(3,500)
		<hr/>	<hr/>
Net cash (outflow) before financing		(15,085)	(18,296)
FINANCING			
New loans received	24	3,754	18,814
Repayment of loans	24	-	(5,000)
Capital payment under leases	24	(2,340)	(1,361)
Issue of shares to minority		3,900	117
		<hr/>	<hr/>
Net cash inflow from financing		5,314	12,570
		<hr/>	<hr/>
(Decrease) in cash	24	(9,771)	(5,726)
		<hr/>	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

and subsidiary companies

Year ended 31 December 1998

	1998	1997
	£'000	£'000
Profit for the financial year	2,190	4,146
Currency translation differences on foreign currency net investments	(304)	(957)
Deficit on revaluation of assets	(1,313)	-
	<hr/>	<hr/>
Total gains and losses recognised since last annual report	573	3,189
	<hr/>	<hr/>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998	1997
	£'000	£'000
Total gains and losses	573	3,189
Dividends	-	(2,400)
	<hr/>	<hr/>
	573	789
Opening Shareholders' Funds	29,615	28,826
	<hr/>	<hr/>
Closing Shareholders' Funds	30,188	29,615
	<hr/>	<hr/>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	1998	1997
	£'000	£'000
Reported profit on ordinary activities before taxation	3,556	5,087
Realisation of property revaluation gains of previous years	-	(283)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	13	13
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	3,569	4,817
	<hr/>	<hr/>
Historical cost retained profit after taxation	2,213	3,879
	<hr/>	<hr/>

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important group accounting policies is set out below. These policies have been applied consistently throughout the year and with the preceding year.

a. Accounting convention

The financial statements have been prepared in accordance with the historical cost convention modified to incorporate the revaluation of certain assets. The revalued assets include both freehold and leasehold property and motor museum vehicles.

b. Basis of consolidation

The consolidated financial statements include the accounts of TWR Group Limited and its subsidiary undertakings made up to 31st December each year. The profits and losses of subsidiary undertakings acquired or disposed of during the year are included from their effective date of acquisition or up to the date of disposal.

c. Turnover and long term contracts

Turnover comprises sales in the ordinary course of business to external customers for goods and services provided exclusive of value added tax. In the case of long term contracts turnover represents the proportion of contract value applicable to the activity in the year, ascertained by reference to the added value of direct labour. The related costs are matched with this turnover, resulting in the reporting of attributable profit proportionate to the contract activity. Where the outcome of a contract cannot be foreseen with reasonable certainty but no loss is expected, turnover and costs are recorded as activity progresses using a zero estimate of profit.

Estimates of total contract costs and revenues are reviewed periodically, and the cumulative effects of changes are recognised in the period in which they are identified. All known or anticipated losses are provided for in full as soon as they are foreseen. Amounts billed in excess of revenues recognised to date are classified as payments on account and included in creditors.

d. Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value with an allowance for obsolete or slow moving items.

Work in progress comprises direct materials and direct labour, overheads and initial production costs based on the normal level of activity. Net realisable value is the price at which stock and work in progress can be sold in the normal course of business after allowing for costs of realisation and completion.

e. Tangible fixed assets and depreciation

Depreciation is provided to write down the cost or valuation of tangible fixed assets over their estimated useful lives on the following bases:

Freehold property	2% straight line on buildings
Leasehold property	Over the period of the lease
Plant and equipment	5% to 33% straight line

Freehold properties are included in the financial statements on the basis of cost, open market value or directors valuation less accumulated depreciation. Interest costs incurred on the financing of major projects are capitalised and written off over the useful life of the project. Contributions to the purchase of fixed assets are shown separately against cost.

1. ACCOUNTING POLICIES (CONTINUED)

f. Research and development

Research expenditure is written off in the year in which it is incurred.

Development expenditure, on projects which the directors consider to be commercially viable, is capitalised in the balance sheet as it is incurred and then written off over the estimated future economic lives of the projects concerned. The expenditure is normally written off over two or three years from the date that the product of each project is available for sale and is based on the proportion of total forecasted sales that each particular project achieved during the financial year. Future expenditure to be incurred on such projects is taken into account in calculating the rate at which such expenditure is written off.

g. Deferred taxation

Deferred taxation is provided using the full liability method except that no provision is made where there is reasonable probability that no liability will arise in the foreseeable future. No provision is therefore made on revaluation surpluses of certain freehold properties unless they are to be sold.

h. Foreign currency translation

Assets and liabilities denominated in foreign currencies and the financial statements of foreign subsidiary undertakings are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising in the consolidated financial statements on the retranslation at closing rates of the Group's net investment in foreign subsidiary undertakings are recorded as a movement on reserves. All other foreign currency transactions are translated into sterling at the average monthly rates of exchange and are dealt with through the profit and loss account.

i. Leased assets

Assets obtained under finance leases and lease purchase contracts are capitalised and depreciated over their expected useful lives. The finance charges are allocated over the primary period of the lease in proportion to the capital element outstanding. The costs of operating leases are charged to the profit and loss account as they accrue.

j. Investments

Fixed asset investments are shown at cost or subsequent valuation as set out in note 13. Provisions are made for permanent reductions in value.

k. Intangible Assets

Patents and licenses are included at cost and depreciated in equal annual instalments over a period of 3 to 10 years. Provisions are made for any permanent diminution in value.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 1998

TWR GROUP LIMITED
and subsidiary companies

2. SEGMENTAL AND GEOGRAPHICAL ANALYSES

Segmental and geographical analyses have not been disclosed because in the opinion of the directors the disclosure of such information would be seriously prejudicial to the interests of the Group.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is arrived at after charging/(crediting):

	1998	1997
	£'000	£'000
Rent receivable	(992)	(1,050)
Depreciation - Owned assets	6,362	3,355
Depreciation - Assets held under finance leases and hire purchase contracts	1,849	1,042
Amounts written off investments and current assets	359	1,438
(Profit) on disposal of fixed assets	(820)	(629)
Operating lease rentals - Plant and machinery	956	870
Operating lease rentals - Land and buildings	3,135	3,002
Auditors' remuneration - Audit	211	128
Auditors' remuneration - Non-Audit	131	87
Staff costs	49,209	38,183
	<hr/>	<hr/>

4. EMPLOYEES

The average number of persons (including directors) employed by the Group was:

	1998	1997
Production staff	1,477	896
Sales and distribution staff	48	42
Administration staff	345	376
	<hr/>	<hr/>
	1,870	1,314
	<hr/>	<hr/>

The costs in respect of these employees were:

	1998	1997
	£'000	£'000
Wages and salaries	39,596	32,588
Social security costs	8,485	4,602
Pension costs	1,128	993
	<hr/>	<hr/>
	49,209	38,183
	<hr/>	<hr/>

5. DIRECTORS' EMOLUMENTS

The total emoluments of the directors of the holding company, in respect of their services, were £512,344 (1997 £439,471). The emoluments, excluding pension contributions of the highest paid director were £189,512 (1997 £159,569). The total number of directors who contributed to the pension scheme during the year was NIL.

The following transactions between the Group and its directors and their connected persons have been charged within the Group profit before tax :

Fees payable to Broadstone Estates Limited, a company in which Mr T D T Walkinshaw is a director and major shareholder, in respect of his services as a director were £570,383 (1997 £550,039) and in respect of the occupation by the Group of various premises £1,813,352 (1997 £1,798,102).

No amounts were paid to Broadstone Estates Ltd during the year in respect of capital expenditure additions (1997: £211,800). Interest receivable of £711,000 (1997 £606,000) was charged to Broadstone Estate Limited on the outstanding loan.

During the year the Group received a total of £506,000 (1997 £518,000) from the Ixion Motor Group Limited (a company with a common Director) in respect of administration services and rental income.

During the year the Group provided goods and services to Arrows Grand Prix International Ltd (a company in which a Director has a significant influence) to a net value of £11,677,000 (1997 £7,016,859), the amount outstanding at the year end was £8,998,000.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	1998	1997
	£'000	£'000
Bank interest	309	463
Other interest receivable and similar income	885	814
	<hr/>	<hr/>
	1,194	1,277
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 1998

TWR GROUP LIMITED
and subsidiary companies

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £'000	1997 £'000
Bank overdrafts	584	108
Bank loans and other loans repayable within 5 years	1,729	912
Bank loans not wholly repayable within 5 years	43	13
Finance leases and hire purchase contracts	849	535
	<hr/>	<hr/>
	3,205	1,568
Less Interest capitalised	-	(520)
	<hr/>	<hr/>
	3,205	1,048
	<hr/>	<hr/>

Note 18 to the financial statements provides information with regard to the repayment of loans and finance lease obligations.

8. TAXATION

Taxation is based on the profits for the year and comprises:

	1998 £'000	1997 £'000
Corporation tax at 31% on taxable profit	50	69
Deferred taxation	325	539
	<hr/>	<hr/>
	375	608
Overseas taxation	981	330
	<hr/>	<hr/>
	1,356	938
	<hr/>	<hr/>

9. DIVIDENDS

	1998 £'000	1997 £'000
Equity Dividends on "B" Ordinary Shares :		
Interim Paid	-	1,000
Final Proposed	-	1,400
	<hr/>	<hr/>
	-	2,400
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 1998

TWR GROUP LIMITED
and subsidiary companies

10. RESULT OF THE PARENT COMPANY

Within the Group's profit after taxation, a profit before exceptional items of £1,900,000 has been made in the holding company. After exceptional items (a write down on investments) the holding company recorded a loss of £1,040,000. The Company has taken advantage of the exemption contained in s.230 of the Companies Act 1985 allowing it not to present its own profit and loss account.

11. INTANGIBLE ASSETS

	Group	Company
Cost	£'000	£'000
At 1 January 1998	500	500
Additions	39	-
	<hr/>	<hr/>
At 31 December 1998	539	500
	<hr/>	<hr/>
Depreciation		
At 1 January 1998	100	100
Charge for the Year	63	50
	<hr/>	<hr/>
At 31 December 1998	163	150
	<hr/>	<hr/>
Net Book Value		
At 31 December 1998	376	350
	<hr/>	<hr/>
At 31 December 1997	400	400
	<hr/>	<hr/>

12. TANGIBLE ASSETS AT 31 DECEMBER 1998

A. MOVEMENT IN THE YEAR

	Freehold Property £'000	Leasehold Property £'000	Plant & Equipment £'000	Total £'000
THE GROUP				
Cost or Valuation				
At 1 January 1998	6,778	2,650	66,055	75,483
Additions	1,259	59	10,640	11,958
Disposals	(4,553)	-	(5,282)	(9,835)
Reclassifications	(520)	520	-	-
Revaluations	1,544	62	-	1,606
Exchange Differences	(23)	(31)	(1,577)	(1,631)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1998	4,485	3,260	69,836	77,581
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 January 1998	719	790	15,075	16,584
Charge for the year	112	138	7,898	8,148
Disposals	(625)	-	(571)	(1,196)
Revaluations	(206)	(103)	-	(309)
Exchange differences	-	14	(491)	(477)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1998	-	839	21,911	22,750
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value				
At 31 December 1998	4,485	2,421	47,925	54,831
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	6,059	1,860	50,980	58,899
	<hr/>	<hr/>	<hr/>	<hr/>

Plant and Equipment includes £nil (1997: £241,000) in respect of capitalised interest.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 1998

TWR GROUP LIMITED

and subsidiary companies

12. TANGIBLE ASSETS (CONTINUED)

	Leasehold Property £'000	Plant & Equipment £'000	Total £'000
THE COMPANY			
Cost			
At 1 January 1998	561	28,968	29,529
Additions	-	2,044	2,044
Disposals	-	(3,844)	(3,844)
	<hr/>	<hr/>	<hr/>
At 31 December 1998	561	27,168	27,729
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 1998	149	9,766	9,915
Charge for the year	-	2,583	2,583
Disposals	-	(433)	(433)
	<hr/>	<hr/>	<hr/>
At 31 December 1998	149	11,916	12,065
	<hr/>	<hr/>	<hr/>
Net Book Value			
At 31 December 1998	412	15,252	15,664
	<hr/>	<hr/>	<hr/>
At 31 December 1997	412	19,202	19,614
	<hr/>	<hr/>	<hr/>

LEASEHOLD PROPERTY

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
The net book value of leasehold property comprises:				
Long leasehold	1,927	1,257	412	412
Short leasehold	494	603	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,421	1,860	412	412
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 1998

TWR GROUP LIMITED
and subsidiary companies

12. TANGIBLE ASSETS (CONTINUED)

B. BASIS OF VALUATION

The directors valuation of freehold and leasehold properties at 31st December 1998 has been determined in conjunction with independent professional advice.

LEASEHOLD PROPERTY

Group

1998 1997
£'000 £'000

Leasehold property at cost or valuation is stated:

At open market value by Messrs Dunning Burston and Associates, Chartered Surveyors of Bristol, at 31st December 1989
At directors valuation at 31st December 1996
At directors valuation at 31st December 1998
At cost

- 318
- 750
3,260 -
- 1,582

3,260 2,650

If stated under historical cost principles the comparable amounts for the total of leasehold property would be:

Cost
Accumulated depreciation

2,795 2,098
(834) (549)

Historical cost value

1,961 1,549

FREEHOLD PROPERTY

Freehold property at cost or valuation is stated:

At open market value by Messrs Dunning Burston and Associates, Chartered Surveyors of Bristol, at 31st December 1989
At directors' valuation at 31 December 1998
At cost

- 511
4,485 -
- 6,267

4,485 6,778

If stated under historical cost principles the comparable amounts for the total of freehold property would be:

Cost
Accumulated depreciation

2,562 6,399
(180) (691)

Historical cost value

2,382 5,708

All other tangible fixed assets are stated at historical cost.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 1998

TWR GROUP LIMITED
and subsidiary companies

12. TANGIBLE ASSETS (CONTINUED)

C. LEASED ASSETS INCLUDED IN PLANT AND MACHINERY

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Included in plant and equipment are assets held under finance leases and hire purchase contracts with net book value:	9,607	9,398	8,437	8,635
Depreciation provided during the year	1,849	1,282	1,757	1,282

13. FIXED ASSET INVESTMENTS

	Motor Museum Vehicles £'000	Subsidiary Undertakings £'000	Unlisted Investments £'000	Total £'000
THE GROUP				
Cost or Valuation				
At 1 January 1998	9,708	-	1,200	10,908
Revaluation	(3,363)	-	-	(3,363)
At 31 December 1998	6,345	-	1,200	7,545
THE COMPANY				
Cost or Valuation				
At 1 January 1998	9,708	5,182	1,200	16,090
Additions	-	3,900	-	3,900
Revaluation	(3,363)	-	-	(3,363)
At 31 December 1998	6,345	9,082	1,200	16,627

MOTOR MUSEUM VEHICLES

Motor Museum Vehicles have been revalued at open market value as at 31st December 1998. The latest valuations were carried out by Christie's International Motorcars Limited, independent experts and specialists in the field of historical and performance vehicles.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 1998

TWR GROUP LIMITED
and subsidiary companies

13. FIXED ASSET INVESTMENTS (CONTINUED)

	Group & Company	
	1998	1997
	£'000	£'000
Motor museum vehicles at cost or valuation are stated at open market value:		
In 1991	-	9,191
At directors valuation at 31 December 1998	6,345	-
At cost	-	517
	<hr/>	<hr/>
	6,345	9,708
	<hr/>	<hr/>
If stated under historical cost principles the comparable amounts for the total of motor museum vehicles at cost would be:	3,059	2,959
	<hr/>	<hr/>

OTHER INVESTMENTS

Investments in undertakings which, in the opinion of the directors, principally affected the results or net assets of the Group and the parent company, and the effective holding at 31st December 1998 were:

	Principal Activity	Country of Incorporation/ Operation	Type of Share	Shares Held By	% Holding
Subsidiary Undertakings					
Craighlade Limited	(b)	Great Britain	Ordinary	(1)	100%
TWR Inc.	(a)	U.S.A	Ordinary	(2)	100%
TWR Australia Pty Limited	(a)	Australia	Ordinary	(2)	100%
Premoso Pty Limited	(a)	Australia	Ordinary	(2)	100%
AutoNova AB	(a)	Sweden	Ordinary	(1)	51%
TWR Sweden AB	(a)	Sweden	Ordinary	(1)	100%
Manova AB	(a)	Sweden	Ordinary	(3)	75%
OmniNova AB	(a)	Sweden	Ordinary	(1)	65%
TWR International Holdings Limited	(d)	Great Britain	Ordinary	(1)	100%
Unlisted Investments					
Ixon Motor Group Limited	(c)	Great Britain	Preference	(1)	38%
Automotive Investments Limited	(a)	Great Britain	Ordinary	(1)	15%

(1) TWR Group Limited (2) TWR International Holdings Ltd (3) TWR Sweden AB

(a) Automotive engineering and manufacturing (b) Property holding (c) Motor vehicle retailing

(d) Holding company for overseas investments

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 1998

TWR GROUP LIMITED
and subsidiary companies

14. STOCKS

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Raw materials and components	6,572	5,777	302	448
Work in progress	10,652	18,012	4,697	11,629
Finished Goods and stock for resale	10,052	4,037	6,407	2,817
	<u>27,276</u>	<u>27,826</u>	<u>11,406</u>	<u>14,894</u>

The Group work in progress includes interest of £377,000 (1997 : £520,000) and initial production costs of £2,874,000 (1997 : £3,761,000).

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Trade debtors	27,686	24,716	16,858	20,527
VAT and taxes	894	1,644	793	1,472
Other debtors	736	387	2	170
Prepayments and accrued income	10,368	7,909	5,976	2,637
	<u>39,684</u>	<u>34,656</u>	<u>23,629</u>	<u>24,806</u>

16. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Amounts owed by investing companies	9,204	8,493	9,204	8,493
Amounts owed by subsidiary undertakings	-	-	12,700	12,700
Other Debtors	1,858	47	1,818	9
	<u>11,062</u>	<u>8,540</u>	<u>23,722</u>	<u>21,202</u>

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 1998

TWR GROUP LIMITED
and subsidiary companies

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Obligations under finance leases and hire purchase contracts	2,971	2,090	2,605	2,029
Loans (see note 18)	1,180	499	441	276
Bank Overdrafts (see note 18)	6,847	3,925	6,299	-
Payments on account	7,287	22,003	7,246	22,003
Trade creditors	34,374	32,519	12,784	14,987
Amounts owed to subsidiary undertakings	-	-	12,042	2,962
Corporation tax payable	1,440	1,593	463	1,057
Other creditors	1,188	443	579	24
Other taxation and social security	4,199	1,455	1,864	553
Accruals and deferred income	15,041	20,961	7,945	9,207
Proposed Dividend	-	1,400	-	1,400
	<hr/> 74,527	<hr/> 86,888	<hr/> 52,268	<hr/> 54,498

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Obligations under finance leases and hire purchase contracts (2 to 5 years)	6,254	7,649	5,483	6,885
Loans (see below)	20,987	20,079	4,012	6,782
	<hr/> 27,241	<hr/> 27,728	<hr/> 9,495	<hr/> 13,667

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 1998

TWR GROUP LIMITED
and subsidiary companies

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

	Interest Rate	Group		Company	
		1998 £'000	1997 £'000	1998 £'000	1997 £'000
Bank Loans					
Wholly repayable within 5 years :					
By Instalments	Variable	2,220	3,700	-	-
Otherwise	Variable	16,490	12,572	3,000	3,000
Not wholly repayable within 5 years :					
By Instalments		1,894	133	-	-
Other than by instalments	Variable	100	100	-	-
Other Loans					
Wholly repayable within 5 years :					
By Instalments	9.12%	10	2,773	-	2,758
Otherwise	Variable	290	-	290	-
Not wholly repayable within 5 years :					
By Instalments	Variable	1,163	1,300	1,163	1,300
Total Loans		<u>22,167</u>	<u>20,578</u>	<u>4,453</u>	<u>7,058</u>
Less: Amounts due within 1 year		(1,180)	(499)	(441)	(276)
Amounts due after more than 1 year		<u>20,987</u>	<u>20,079</u>	<u>4,012</u>	<u>6,782</u>
Instalments not due within 5 years		<u>1,481</u>	<u>534</u>	<u>243</u>	<u>481</u>
Loans and Overdrafts					
Bank Loans and overdrafts repayable :					
Within one year or less		7,586	4,148	6,299	-
Between one and two years		3,696	3,224	3,000	3,000
Between two and five years		14,931	12,920	-	-
In five years or more		1,338	153	-	-
Other loans repayable :					
Within one year or less		451	276	441	276
Between one and two years		166	289	166	289
Between two and five years		603	3,012	603	3,012
In five years or more		243	481	243	481
Total Loans and Overdrafts		<u>29,014</u>	<u>24,503</u>	<u>10,752</u>	<u>7,058</u>

The Company currently utilises working capital facilities provided by Singer & Friedlander Group PLC. These facilities are subject to an annual review, which is currently taking place and the directors are confident that the required facilities will be renewed in the ordinary course of business.

Loans and overdrafts are secured by fixed and floating charges on various group assets together with inter group guarantees.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 1998

TWR GROUP LIMITED
and subsidiary companies

19. PROVISIONS FOR LIABILITIES AND CHARGES

DEFERRED TAXATION

	Group £'000	Company £'000
Movement in year		
At 1 January 1998	1,194	1,086
Charge for the year	763	325
Transfer from Corporation Tax	620	620
	<hr/>	<hr/>
At 31 December 1998	2,577	2,031
	<hr/>	<hr/>

Provision at year end

As explained in note 1(g), provision is made for taxation liabilities arising from the allocation of items to different accounting periods for taxation and for accounting purposes, except where it is probable that the liability will not crystallise. The source of the balance on the deferred taxation account and the amounts for which provision has not been made are as follows:

	Provided		Unprovided	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
THE GROUP				
Capital allowances in excess of depreciation	2,037	1,241	-	-
Short term timing differences	524	(47)	-	-
Surplus on revaluations and capital gains	16	-	323	487
	<hr/>	<hr/>	<hr/>	<hr/>
	2,577	1,194	323	487
	<hr/>	<hr/>	<hr/>	<hr/>
THE COMPANY				
Capital allowances in excess of depreciation	2,031	1,241	-	-
Short term timing differences	-	(155)	-	-
Surplus on revaluations and capital gains	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,031	1,086	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 1998

TWR GROUP LIMITED
and subsidiary companies

20. SHARE CAPITAL

	1998 £'000	1997 £'000
AUTHORISED		
<u>Equity</u>		
8,000,000 "A" Ordinary Shares of £1 each	8,000	8,000
8,000,000 "B" Ordinary Shares of £1 each	8,000	8,000
<u>Non Equity</u>		
4,000,000 Non-voting Shares of £1 each	4,000	4,000
	<hr/>	<hr/>
	20,000	20,000
	<hr/>	<hr/>
ALLOTTED CALLED-UP AND FULLY PAID		
<u>Equity</u>		
8,000,000 "A" Ordinary shares of £1 each	8,000	8,000
8,000,000 "B" Ordinary shares of £1 each	8,000	8,000
<u>Non Equity</u>		
4,000,000 Non-voting Shares of £1 each	4,000	4,000
	<hr/>	<hr/>
	20,000	20,000
	<hr/>	<hr/>

Non-equity shareholders' funds relate entirely to the Non-voting shares which carry no right to vote at general meetings and carry no right to dividends except that the Non-voting shares shall be entitled to receive 1% of any single dividend declared by the Company which exceeds £100million and are entitled to receive 1% of any assets available for distribution on liquidation.

21. RESERVES

	Profit and Loss Account £'000	Revaluation Reserve £'000	Translation Reserve £'000	Total £'000
THE GROUP				
At 1 January 1998	9,154	1,440	(979)	9,615
Retained profit for the year	2,190	-	-	2,190
Exchange movement for the year	-	-	(304)	(304)
Deficit on revaluation of assets	-	(1,313)	-	(1,313)
Transfer re property valuations	127	(127)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1998	11,471	-	(1,283)	10,188
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 1998

TWR GROUP LIMITED
and subsidiary companies

21. RESERVES (CONTINUED)

	Profit and Revaluation Loss Account £'000	Reserve £'000	Total £'000
THE COMPANY			
At 1 January 1998	8,644	764	9,408
Retained loss for the year	(1,040)	-	(1,040)
Deficit on revaluation of assets	-	(764)	(764)
	<hr/>	<hr/>	<hr/>
At 31 December 1998	7,604	-	7,604
	<hr/>	<hr/>	<hr/>

The directors consider that only the profit and loss account reserves are distributable.

22. MINORITY INTERESTS

	Equity Interests £'000
At 1 January 1998	3,882
Investment in subsidiary undertakings	3,900
Profit on ordinary activities after taxation	10
Foreign exchange movements	(302)
	<hr/>
At 31 December 1998	7,490
	<hr/>

23. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1998 £'000	1997 £'000
Profit before interest and tax	5,567	4,858
Depreciation and other amounts written off tangible fixed assets	8,211	4,397
Provisions against the value of investments	149	500
(Profit) on sale of tangible fixed assets	(820)	(629)
Decrease / (Increase) in stocks	550	(13,754)
Increase in trade and other debtors	(6,873)	(14,733)
(Decrease) / Increase in trade and other creditors	(15,119)	23,478
Exchange differences	(865)	1,288
	<hr/>	<hr/>
Cash Flow from operating activities	(9,200)	5,405
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 1998

TWR GROUP LIMITED
and subsidiary companies

24. BALANCE SHEET MOVEMENTS IN CASH AND NET BORROWINGS

	At Jan 1998 £'000	Cash Flow £'000	Foreign Exchange Movements £'000	At 31 Dec 1998 £'000
Cash	8,078	(6,724)	(105)	1,249
Overdrafts	<u>(3,925)</u>	<u>(3,047)</u>	<u>125</u>	<u>(6,847)</u>
CASH	<u>4,153</u>	<u>(9,771)</u>	<u>20</u>	<u>(5,598)</u>
Finance Leases & Loans inside 1 year	(2,589)	(1,567)	5	(4,151)
Finance Leases & Loans outside 1 year	<u>(27,728)</u>	<u>153</u>	<u>334</u>	<u>(27,241)</u>
Total Finance Leases & Loans	<u>(30,317)</u>	<u>(1,414)</u>	<u>339</u>	<u>(31,392)</u>
NET BORROWINGS	<u>(26,164)</u>	<u>(11,185)</u>	<u>359</u>	<u>(36,990)</u>

25. CAPITAL COMMITMENTS

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Contracted for but not provided in the accounts	168	861	65	470
Authorised but not contracted for	<u>246</u>	<u>2,428</u>	<u>120</u>	<u>5</u>

26. CONTINGENT LIABILITIES

TWR Group Limited have, in the ordinary course of business, entered into indemnity and guarantee agreements in favour of third parties, the total value of which at 31st December 1998 was £50,000 (1997 £50,000). The Group has also given guarantees in connection with banking facilities granted to subsidiary undertakings the value of which as at 31st December 1998 was £2,220,000 (1997 £3,700,000).

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 1998

TWR GROUP LIMITED
and subsidiary companies

27. OPERATING LEASE COMMITMENTS

At 31st December there existed annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings		Other	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
GROUP				
Operating leases which expire:				
Within one year	122	20	50	191
In the second to fifth years	178	557	869	729
Over five years	2,728	2,422	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
COMPANY				
Operating leases which expire:				
Within one year	87	20	21	168
In the second to fifth years	87	213	109	215
Over five years	1,806	1,791	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

28. POST BALANCE SHEET EVENTS

TWR Group Ltd has recently entered into arrangements to dispose of its controlling interest in AutoNova AB. The final consideration price payable for the shares is still to be determined, but as a minimum will not result in a loss on disposal to the Group.

29. INVESTING COMPANIES

The company is owned jointly by Broadstone Estates Limited and Benetton Engineering Limited (formerly 21, Investimenti UK Limited), companies registered in England and Wales.

Broadstone Estates Limited, which is controlled by Mr T D T Walkinshaw, holds just over 50% of the equity of TWR Group Limited

Benetton Engineering Limited, which holds just under 50% of the equity of TWR Group Limited, is a subsidiary of Edizione Holdings SpA, the parent company of the Benetton family owned Edizione Group.

DIRECTORS, OFFICERS AND ADVISERS

**EXECUTIVE
DIRECTORS**

T D T Walkinshaw
(Chairman & Managing Director)
R S Silman
(Technical Director)
S Fernback
(Finance Director)

**NON-EXECUTIVE
DIRECTORS**

F Briatore
G Zoppas
D Mills

**SECRETARY AND
REGISTERED OFFICE**

A D Mitchell
1 Station Field Industrial Estate
Kidlington
Oxford OX5 1JD

AUDITORS

Arthur Andersen
1 Surrey Street
London WC2R 2PS

BANKERS

Singer & Friedlander Ltd
41/43 Maddox Street
London
W1R 0BS

REGISTERED NUMBER

1194903