

Auditors' report to the directors of Tickford Limited (formerly Dacron Services Limited) pursuant to section 248 of the Companies Act 1985

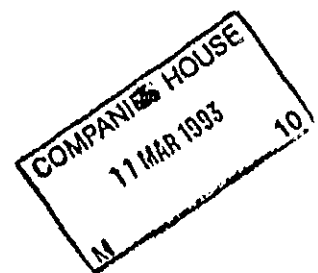
We have examined the relevant accounts of Tickford Limited and of its subsidiary undertakings. The scope of our work for the purpose of this report was limited to ascertaining whether Tickford Limited is entitled to the exemption from the requirement to prepare group accounts for the period ended 2 May 1992.

In our opinion, the group consisting of Tickford Limited and its subsidiary undertakings is a medium-sized group in respect of the period ended 2 May 1992 and Tickford Limited is therefore entitled to the exemption from the requirement to prepare group accounts under section 248 of the Companies Act 1985

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditors

24 February 1993



RPMIG Peat Marwick

Tickford Limited
(Formerly Dacron Services Limited)

Directors' report and financial statements

For the thirteen and one half months ended
2 May 1992

Registered number 2584542

Tickford Limited
(Formerly Dacron Services Limited)

Directors' report and financial statements

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Tickford Limited

(Formerly Dacron Services Limited)

Directors' report

The directors present their annual report and the audited financial statements for the period ended 2 May 1992.

Principal activities

The company's principal activity is transport engineering consultants engaged in design, engineering, development, manufacture and supply to the motor vehicle industry.

Business review

The company was incorporated on 21 February 1991 and changed its name to Tickford Limited. On 15 March 1991 the company purchased certain assets and assumed certain liabilities of Dacron Limited (formerly Tickford Limited).

During the period the company invested £237,994 in a joint venture with Ford Motor Company of Australia to establish a manufacturing facility for the production of special vehicles for Ford in Australia.

In the first period of operation turnover was £7,210,841 and the distributable profit carried forward was £220,689. The operating loss shown on page 4 was due to the severe recession in the automotive industry and the costs of redefining the strategic direction of the company and restructuring. The company is now trading profitably with the Australian operation up to planned throughput and meeting profit targets. In the UK the order book is expanding steadily. Realised reserves of £779,299 were transferred from the capital reserve to the profit and loss account during the period.

Proposed dividend

The directors do not recommend the payment of a dividend for the period.

Research and development

Development expenditure incurred by the company relates to specific projects within its principal activity.

Significant changes in fixed assets

Movements in fixed assets are shown in notes 9 and 10 in the financial statements.

Directors and directors' interests

The directors who held office during the period were as follows:

J Thurston	(Appointed 11 March 1991)
DS Burnicle	(Appointed 11 March 1991)
D Flint	(Appointed 11 March 1991)
D Hall	(Appointed 11 March 1991)
DB Morgan	(Appointed 11 March 1991)

Tickford Limited
(Formerly Dacron Services Limited)

Directors' report *(continued)*

Directors and directors' interests *(continued)*

KE Bennett (Appointed 22 February 1991, resigned 11 March 1991)
PN Jenkins (Appointed 22 February 1991, resigned 11 March 1991)

The company's articles of association do not require directors to retire by rotation.

The directors who held office at the end of the financial period had the following interests in the ordinary shares and debentures of the company as recorded in the register of directors' share and debenture interests:

	At 2 May 1992		At 21 February 1991	
	Ordinary Shares	Debenture	Ordinary Shares	Debenture
J Thurston	6,000	£60,000	-	-
DS Burnicle	1,000	£10,000	-	-
D Flint	1,000	£10,000	-	-
D Hall	1,000	£10,000	-	-
DB Morgan	1,000	£10,000	-	-

Political and charitable contributions

The company made no political contributions during the period. Donations to UK charities amounted to £Nil.

Liability insurance

During the period the company purchased liability insurance for its officers.

Auditors

Pursuant to section 386 of the Companies Act 1985, a resolution is to be put to the forthcoming Annual General Meeting which, if passed, would result in the company not being required to reappoint its auditors annually. KPMG Peat Marwick would then continue as the company's auditors.

By order of the board


D Hall
Company Secretary

Tickford House
8 Tanners Drive
Blakelands
Milton Keynes
MK14 5BN

24 February 1993

 Peat Marwick

Norfolk House
499 Silbury Boulevard
Central Milton Keynes
MK9 2HA

Report of the auditors to the members of Tickford Limited (Formerly
Dacron Services Limited)

We have audited the financial statements on pages 4 to 20 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 2 May 1992 and of its loss and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

Chartered Accountants
Registered Auditors

24 February 1993

Tickford Limited
(Formerly Dacron Services Limited)

Profit and loss account
for the period ended 2 May 1992

	<i>Note</i>	1992 £
Turnover	2	7,210,841
Cost of sales		(5,147,141)
		<hr/>
Gross profit		2,063,700
Distribution costs		(119,696)
Administrative expenses		(2,302,650)
		<hr/>
Operating loss		(358,646)
Other interest receivable and similar income	6	1,674
Interest payable and similar charges	7	(201,638)
		<hr/>
Loss on ordinary activities before taxation	3-5	(558,610)
Tax on loss on ordinary activities	8	-
		<hr/>
Loss on ordinary activities after taxation and retained loss for the financial period	18	(558,610)
Transfer from capital reserve		779,299
		<hr/>
Profit and loss account carried forward at 2 May 1992		220,689
		<hr/>

A statement of movements on reserves is shown in note 18 of the financial statements.

Tickford Limited
(Formerly Dacron Services Limited)

Balance sheet
at 2 May 1992

	<i>Note</i>	1992 £	£
Fixed assets			
Intangible assets	9		250,000
Tangible assets	10		1,643,250
Investments	11		237,994
			<hr/>
Current assets			2,131,244
Stocks	12	580,247	
Debtors	13	1,312,490	
Cash at bank and in hand		1,043	
		<hr/>	
		1,893,780	
Creditors: amounts falling due within one year	14	(2,161,056)	
		<hr/>	
Net current liabilities			(267,276)
			<hr/>
Total assets less current liabilities			1,863,968
Creditors: amounts falling due after more than one year	15		(740,718)
Provisions for liabilities and charges	16		(200,000)
			<hr/>
Net assets			923,250
			<hr/>
Capital and reserves			
Called up share capital	17		10,000
Capital reserve	18		692,561
Profit and loss account	18		220,689
			<hr/>
			923,250
			<hr/>

These financial statements were approved by the board of directors on 24 Feb 1993 and were signed on its behalf by:

J Thurston
Director

Tickford Limited
(Formerly Dacron Services Limited)

Cash flow statement
for the period ended 2 May 1992

	Notes	1992 £	£
Net cash outflow from operating activities	20		(788,181)
Cash outflow from investing activities			
Interest received		1,674	
Interest paid		(185,038)	
			(183,364)
Fixed assets purchases			
Tangible			(205,511)
Investment in subsidiary			(237,994)
Cash flow from financing activities			
Share issue		10,000	
Debenture issue		100,000	
New term loan		500,000	
Capital element of finance lease payments		(393,000)	
			217,000
			(1,198,050)
Decrease in cash and cash equivalents			
Overdraft			(798,709)
Cash			(399,341)
			(1,198,050)

Tickford Limited

(Formerly Dacron Services Limited)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, modified to include the revaluation of certain assets.

The company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group financial statements, which would include the results of Tickford Australia Pty Limited (incorporated in Australia), due to the size of the group.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold land and buildings	•	life of lease
Plant and machinery	•	4 to 10 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included in creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Tickford Limited

(Formerly Dacron Services Limited)

Notes (continued)

1 Accounting policies (continued)

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Research and development expenditure

Expenditure on research and development is written off against profits in the period in which it is incurred, except in the circumstances where it may be deferred to future periods to the extent that its recovery can be reasonably regarded as assured.

Intangible assets

Intangible assets are stated based on directors' valuation placed on the patents acquired in order to continue the company's activities.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods manufactured by the company, cost is taken as production cost which includes an appropriate proportion of direct labour.

Taxation

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period.

Tickford Limited
(Formerly Dacron Services Limited)

Notes (continued)

2 Turnover

An analysis of turnover by destination of the company during the period is as follows:

	1992 £
United Kingdom	6,103,417
Rest of Europe	24,804
Rest of World	1,082,620
	<u>7,210,841</u>

3 Loss on ordinary activities before taxation

	1992 £	£
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging:</i>		
Auditors' remuneration		10,000
Depreciation and other amounts written off tangible fixed assets:		
Owned	299,504	
Leased	<u>99,778</u>	
		399,282
Hire of plant and machinery - rentals payable under operating leases		30,380
Hire of other assets - operating leases		<u>236,448</u>

4 Remuneration of directors

	1992 £
Directors' emoluments:	
Remuneration as executives	<u>194,302</u>

Tickford Limited (Formerly Dacron Services Limited)

Notes (continued)

4 Remuneration of directors (continued)

The emoluments, excluding pension contributions, of the chairman and highest paid director were £59,000.

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	Number of directors 1992
£5,001 - £10,000	1
£10,001 - £15,000	3
£15,001 - £20,000	1
	<hr/>

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, was as follows:

	Number of employees 1992
Management and administration	29
Production	144
	<hr/>
	173
	<hr/>

The aggregate payroll costs of these persons were as follows:

	1992 £
Wages and salaries	2,983,729
Social security costs	278,477
Other pension costs (see note 22)	67,155
	<hr/>
	3,329,361
	<hr/>

6 Other interest receivable and similar income

	1992 £
Bank	1,674
	<hr/>

Tickford Limited
(Formerly Dacron Services Limited)

Notes (continued)

7	Interest payable and similar charges	1992 £
	On bank loans, overdrafts and other loans wholly repayable within five years	89,873
	On all other loans	62,343
	Finance charges payable in respect of finance leases and hire purchase contracts	49,422
		<u>201,638</u>

8	Taxation	1992 £
	UK corporation tax for the period on ordinary activities	-

9	Intangible fixed assets	Patents £	Total £
	Valuation		
	Reclassification	<u>250,000</u>	<u>250,000</u>
	At 2 May 1992	<u>250,000</u>	<u>250,000</u>
	Amortisation		
	Charge for period	<u>-</u>	<u>-</u>
	At 2 May 1992	<u>-</u>	<u>-</u>
	Net book value		
	At 2 May 1992	<u>250,000</u>	<u>250,000</u>

Patents represent the rights registered relating to the five-valve engine designed by Tickford Limited and are stated at directors' valuation.

The carrying value will be amortised on commencement of commercial production of the engine, over the life of the subsequent project.

Tickford Limited
(Formerly Dacron Services Limited)

Notes (continued)

10	Tangible fixed assets	Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
	<i>Cost</i>				
	Additions	<u>37,649</u>	<u>1,973,556</u>	<u>31,327</u>	<u>2,042,532</u>
	At 2 May 1992	<u>37,649</u>	<u>1,973,556</u>	<u>31,327</u>	<u>2,042,532</u>
	<i>Depreciation</i>				
	Charge for period	<u>7,443</u>	<u>380,915</u>	<u>10,924</u>	<u>399,282</u>
	At 2 May 1992	<u>7,443</u>	<u>380,915</u>	<u>10,924</u>	<u>399,282</u>
	<i>Net book value</i>				
	At 2 May 1992	<u>30,206</u>	<u>1,592,641</u>	<u>20,403</u>	<u>1,643,250</u>

The net book value of land and buildings comprises:

	1992 £
Long leasehold	22,436
Short leasehold	<u>7,770</u>
	<u>30,206</u>

Included in the total net book value of plant and machinery is £418,476 in respect of assets held under finance leases. Depreciation for the period on these assets was £99,778.

Tickford Limited
(Formerly Dacron Services Limited)

Notes (continued)

11 Fixed asset Investments

Shares in
group
undertakings
£

Shares

Cost

Additions

237,994

At 2 May 1992

237,994

Provisions

Provided in period

-

At 2 May 1992

-

Net book value

At 2 May 1992

237,994

Shares in group undertakings comprises

£

Subsidiary undertakings

237,994

237,994

	Country of incorporation	Principal activity	Class and percentage of shares held
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Subsidiary undertakings

Tickford Australia Pty Limited

Australia

Holding
company

100% Ordinary
100% redeemable
preference

Tickford Vehicle Engineering Pty Limited

Australia

Motor car
converter

51% Ordinary
51% redeemable
preference

In the opinion of the directors the investments in and amounts due from the company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

Tickford Limited (Formerly Dacron Services Limited)

Notes (continued)

11 Fixed asset investments (continued)

The consolidated accounts of Tickford Australia Pty Limited show aggregate capital and reserves at 31 March 1992 of Aus\$456,511 (of which Aus\$232,821 was attributable to Tickford Limited). The results of Tickford Australia Pty Limited show a loss for the start up period from September 1991 to 31 March 1992 of Aus\$277,179.

The exchange rate ruling at 31 March 1992 was Aus\$2.338 to £1. The accounting reference dates have been set to meet the requirements of the minority shareholders of Tickford Vehicle Engineering Pty Limited.

12 Stocks

	1992 £
Raw materials and consumables	311,223
Work in progress	259,952
Finished goods and goods for resale	9,072
	<hr/>
	580,247
	<hr/>

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

13 Debtors

	1992 Due within one year £
Trade debtors	1,040,125
Amounts owed by group undertakings	113,175
Other debtors	37,730
Prepayments and accrued income	121,460
	<hr/>
	1,312,490
	<hr/>

The amounts owed by group undertakings comprise

Subsidiary undertakings	113,175
	<hr/>
	113,175
	<hr/>

Tickford Limited
(Formerly Dacron Services Limited)

Notes (continued)

14	Creditors: amounts falling due within one year	1992	£	£
	Bank overdraft (see note 15)			798,709
	Obligations under finance leases and hire purchase contracts (see note 15)			122,734
	Trade creditors			938,725
	Other creditors including taxation and social security:			
	Corporation tax	25,000		
	Other taxes and social security	152,088		
				<hr/>
	Taxation and social security	177,088		
	Other creditors	30,728		
				<hr/>
				207,816
	Accruals and deferred income			93,072
				<hr/>
				2,161,056
				<hr/>
15	Creditors: amounts falling due after more than one year	1992	£	
	Debenture loans	200,000		
	Bank loans	500,000		
	Obligations under finance leases and hire purchase contracts	40,718		
				<hr/>
				740,718
				<hr/>

Tickford Limited (Formerly Dacron Services Limited)

Notes (continued)

15 Creditors: amounts falling due after more than one year (continued)

Creditors payable by instalments:

	Instalments payable within five years 1992 £	Instalments payable after five years 1992 £	Total 1992 £
Bank loan	400,000	100,000	500,000
Debentures	-	200,000	200,000
	<u>400,000</u>	<u>300,000</u>	<u>700,000</u>

Bank loans and overdrafts are secured by a first fixed charge over the fixtures and fittings, plant and machinery, goodwill, book debts and by way of a first floating charge over the remaining assets. The original loan agreement provides for interest at 2% per annum over Libor rate and repayment at £25,000 per quarter from July 1993. Although certain covenants have not been complied with, the directors expect the facility to be continued on this basis.

Debentures issued are split as follows:

	1992 £
Taffsworth Limited	100,000
J Thurston	60,000
D Hall	10,000
DS Burnicle	10,000
DB Morgan	10,000
D Flint	10,000
	<u>200,000</u>

During the year £100,000 of debentures were issued to Taffsworth Limited (a company owned and controlled by J Thurston) as consideration for a 15% interest in the issued share capital of Dacron Limited (formerly Tickford Limited).

Tickford Limited are to pay interest at 1% above the Barclays Bank base rate on the granting of the above debenture.

As security on all debentures a fixed charge has been granted over all fixtures and fittings, plant and machinery, goodwill, all book debts, intellectual property rights and a floating charge over all other remaining assets. This ranks after the security granted to Barclays Bank.

Tickford Limited (Formerly Dacron Services Limited)

Notes (continued)

15 Creditors: amounts falling due after more than one year (continued)

Obligations under finance leases and hire purchase contract at the time of the hive up of assets and assumption of liabilities from Dacron Limited were £556,452.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	1992 £
Within one year	122,734
In the second to fifth years	40,718
Over five years	-
	<u>163,452</u>

16 Provisions for liabilities and charges

	Taxation including deferred taxation £	Total £
Liability assumed during the period	<u>200,000</u>	<u>200,000</u>
At 2 May 1992	<u>200,000</u>	<u>200,000</u>

The amounts provided for deferred taxation and the full potential liability are set out below:

	1992 Provided £	Full potential liability £
Difference between accumulated depreciation and amortisation and capital allowances and other short timing differences	200,000	472,000
Deferred capital gains	-	178,000
	<u>200,000</u>	<u>650,000</u>

Tickford Limited
(Formerly Dacron Services Limited)

Notes (continued)

17	Called up share capital	1992 £
	<i>Authorised</i>	
	Ordinary shares of £1 each	<u>10,000</u>
	<i>Allotted, called up and fully paid</i>	
	Ordinary shares of £1 each issued in the period	<u>10,000</u>

18	Reserves	Profit and loss account £	Capital reserve £
	Credited/(Charged) during this period	(558,610)	1,471,860
	Transferred during the period	<u>779,299</u>	<u>(779,299)</u>
	At 2 May 1992	<u>220,689</u>	<u>692,561</u>

The capital reserve represents negative goodwill arising on the acquisition of the trade and assets of Dacron Limited and the assumption of its liabilities as follows:

	Fair value £
Stocks	1,044,435
Tangible fixed assets	1,837,021
Trade debtors and cash	1,573,681
Liabilities	(2,883,276)
Negative goodwill	<u>(1,571,860)</u>
	<u>1</u>

The capital reserve is being transferred to the profit and loss account to the extent that the assets acquired are being realised.

Tickford Limited (Formerly Dacron Services Limited)

Notes (continued)

19 Investment in Dacron Limited

Following the purchase of Dacron Limited (formerly Tickford Limited) for £100,001, its trade and assets were hived up to Tickford Limited for a consideration of £1; its liabilities were also assumed by Tickford Limited. The investment in Dacron Limited of £100,001 has been written off in recognition of the loss of recoverability of that investment. The Companies Act 1985 would normally require the write off to be dealt with as a realised loss. However, this would not give a true and fair view because the apparent loss is offset by the excess of the fair value of the assets acquired over the consideration by £1,571,860 which has been accounted for as a capital reserve (see note 18). Accordingly, the write off has been set against this capital reserve. The effect of this departure is to reduce the capital reserve and to reduce the company's loss for the period by the same amount.

20 Reconciliation of operating loss to cash outflow from operating activities

	£
Operating loss	(358,646)
Write off of investment in Dacron Limited	(100,001)
Depreciation	399,282
Decrease in stocks	214,188
Increase in debtors	(139,193)
Decrease in creditors	(803,811)
	<u>(788,181)</u>

Changes to working capital represent movements from that acquired from Dacron Limited to 2 May 1992.

21 Commitments

(i) Capital commitments at the end of the financial year for which no provision has been made.	1992 £
Contracted	-
Authorised but not contracted	-
	<u>-</u>

Tickford Limited
(Formerly Dacron Services Limited)

Notes (continued)

21 Commitments (continued)

(ii) Annual commitments under non-cancellable operating leases are as follows:

	1992 Land and buildings £
Operating leases which expire:	
In the second to fifth years inclusive	83,000
Over five years	143,000
	<hr/>
	226,000
	<hr/>

22 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £67,155.

Contributions amounting to £15,340 were payable to the fund and are included in creditors.