

Company Registration No. 4675965 (England and Wales)

**MENARD COMPETITION TECHNOLOGIES LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**



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# **MENARD COMPETITION TECHNOLOGIES LIMITED**

## **COMPANY INFORMATION**

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<b>Director</b>	J Menard
<b>Secretary</b>	E A Davies
<b>Company number</b>	4675965
<b>Registered office</b>	Ellenborough House Wellington Street Cheltenham Gloucestershire GL50 1YD
<b>Auditors</b>	Hazlewoods LLP Windsor House Barnett Way Barnwood Gloucester GL4 3RT
<b>Business address</b>	Leaffield Technical Centre Witney Oxon OX29 9EF
<b>Solicitors</b>	Rickerbys Ellenborough House Wellington Street Cheltenham Gloucestershire GL50 1YD

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# **MENARD COMPETITION TECHNOLOGIES LIMITED**

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# **MENARD COMPETITION TECHNOLOGIES LIMITED**

## **DIRECTOR'S REPORT**

**For the year ended 31 December 2009**

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**Company Registration No 4675965 (England and Wales)**

The director presents his report and financial statements for the year ended 31 December 2009

### **Principal activities and review of the business**

The principal activities of the company are those of research and development, the design of racing engines and the supply of components

The company is still in the development stage with the ultimate parent undertaking providing the required financial resources to establish the company as a market leader in the medium to long term

Given the straight forward nature of the business, the company's director does not consider the use of Key Performance Indicators ("KPIs") necessary for an understanding of the development, performance or position of the business

### **Results and dividends**

The results for the year are set out on page 5

### **Research and development**

The company continued to invest in research and development for new products and processes

### **Director**

The following director has held office since 1 January 2009

J Menard

### **Financial instruments**

#### Liquidity risk

The company's principal risk is that of effective cash management. The company must ensure that it has sufficient liquid resources to meet its operational requirements. This is monitored on an ongoing basis.

#### Interest rate risk

The company's borrowings are from related parties and are interest free. The company is therefore not subject to interest rate risk.

#### Foreign currency exchange rate risk

The company's borrowings are denominated in US dollars. The company is therefore subject to foreign exchange rate risk, which affects the operating results.

#### Credit risk

The company offers credit to certain of its customers. Before credit terms are agreed, an assessment of the customer's credit rating is undertaken to ensure that the customer does not represent a major credit risk to the company. Credit limits are set accordingly.

### **Auditors**

Hazlewoods LLP have expressed their willingness to continue in office

# MENARD COMPETITION TECHNOLOGIES LIMITED

## DIRECTOR'S REPORT (CONTINUED)

For the year ended 31 December 2009

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### Statement of director's responsibilities

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to

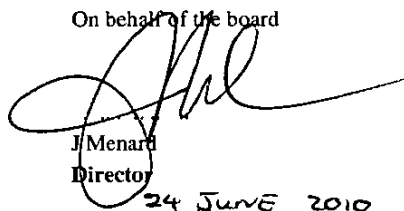
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The director is 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 enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Statement of disclosure to auditors

So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the director has taken all the necessary steps that he ought to have taken as director in order to make himself aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



J. Menard  
Director

24 JUNE 2010

# **MENARD COMPETITION TECHNOLOGIES LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF MENARD COMPETITION TECHNOLOGIES LIMITED**

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We have audited the financial statements of Menard Competition Technologies Limited for the year ended 31 December 2009 set out on pages 5 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 company's members those matters we are required to state to them in an auditors' 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of director and auditors**

As explained more fully in the Director's Responsibilities Statement set out on pages 1 - 2, the director are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the director, and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# **MENARD COMPETITION TECHNOLOGIES LIMITED**

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

### **TO THE MEMBERS OF MENARD COMPETITION TECHNOLOGIES LIMITED**

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#### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

**David Williams (Senior Statutory Auditor)**  
**for and on behalf of Hazlewoods**

24 JUNE 2010

**Chartered Accountants**  
**Statutory Auditor**

Windsor House  
Barnett Way  
Barnwood  
Gloucester  
Gloucestershire  
GL4 3RT

# MENARD COMPETITION TECHNOLOGIES LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2009

	Notes	2009 £	2008 £
<b>Turnover</b>	<b>2</b>	4,596,916	5,471,175
<b>Cost of sales</b>		(2,265,289)	(3,893,297)
<b>Gross profit</b>		2,331,627	1,577,878
Administrative expenses - normal		(3,606,420)	(4,035,754)
Foreign exchange gains/(losses)	<b>3</b>	1,149,200	(2,389,494)
Other operating income		554	341,294
<b>Operating loss before negative goodwill amortisation</b>	<b>3</b>	(125,039)	(4,506,076)
Negative goodwill recognised in the period	<b>3</b>	26,280	26,280
<b>Loss on ordinary activities before interest</b>		(98,759)	(4,479,796)
Other interest receivable and similar income	<b>4</b>	70	5,457
<b>Loss on ordinary activities before taxation</b>		(98,689)	(4,474,339)
Tax on loss on ordinary activities	<b>5</b>	-	-
<b>Loss for the year</b>	<b>13</b>	(98,689)	(4,474,339)

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account



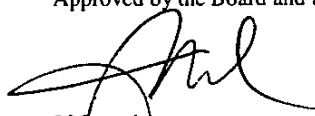
# MENARD COMPETITION TECHNOLOGIES LIMITED

## BALANCE SHEET

As at 31 December 2009

	Notes	2009 £	£	2008 £	£
<b>Fixed assets</b>					
Intangible assets	6	(16,114)		(42,394)	
Tangible assets	7	2,698,728		4,294,344	
		<u>2,682,614</u>		<u>4,251,950</u>	
<b>Current assets</b>					
Stocks	8	2,704,845		2,138,877	
Debtors	9	1,241,557		755,208	
Cash at bank and in hand		69,450		614,796	
		<u>4,015,852</u>		<u>3,508,881</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(1,351,524)</u>		<u>(1,768,164)</u>	
<b>Net current assets</b>		<u>2,664,328</u>		<u>1,740,717</u>	
<b>Total assets less current liabilities</b>		<u>5,346,942</u>		<u>5,992,667</u>	
<b>Creditors: amounts falling due after more than one year</b>	11	<u>(9,632,748)</u>		<u>(10,179,784)</u>	
		<u>(4,285,806)</u>		<u>(4,187,117)</u>	
<b>Capital and reserves</b>					
Called up share capital	12	5,000,000		5,000,000	
Profit and loss account	13	<u>(9,285,806)</u>		<u>(9,187,117)</u>	
<b>Shareholders' funds</b>	14	<u>(4,285,806)</u>		<u>(4,187,117)</u>	

Approved by the Board and authorised for issue on 24 June 2010

  
J Menard  
Director

# MENARD COMPETITION TECHNOLOGIES LIMITED

## CASH FLOW STATEMENT

For the year ended 31 December 2009

	£	2009 £	£	2008 £
<b>Net cash outflow from operating activities</b>		(983,484)		(1,056,156)
<b>Returns on investments and servicing of finance</b>				
Interest received	70		5,457	
<b>Net cash inflow for returns on investments and servicing of finance</b>		70		5,457
<b>Capital expenditure</b>				
Payments to acquire tangible assets	(164,096)		(4,400,486)	
Receipts from sales of tangible assets	-		3,800	
<b>Net cash outflow for capital expenditure</b>		(164,096)		(4,396,686)
<b>Net cash outflow before management of liquid resources and financing</b>		(1,147,510)		(5,447,385)
Advance of other long term loans		602,164		6,055,911
<b>(Decrease)/increase in cash in the year</b>		(545,346)		608,526

# MENARD COMPETITION TECHNOLOGIES LIMITED

## NOTES TO THE CASH FLOW STATEMENT

For the year ended 31 December 2009

1	Reconciliation of operating loss to net cash outflow from operating activities	2009	2008
		£	£
	Operating loss	(98,759)	(4,479,796)
	Depreciation of tangible assets	1,759,712	1,749,915
	Amortisation of intangible assets	(26,280)	(26,280)
	Profit on disposal of tangible assets	-	(3,800)
	Increase in stock	(565,968)	(840,988)
	(Increase)/decrease in debtors	(486,349)	943,020
	Decrease in creditors within one year	(416,640)	(787,721)
	Net effect of foreign exchange differences	(1,149,200)	2,389,494
	<b>Net cash outflow from operating activities</b>	<b>(983,484)</b>	<b>(1,056,156)</b>

2	Analysis of net debt	1 January 2009	Cash flow	Other non-cash changes	31 December 2009
		£	£	£	£
	Net cash				
	Cash at bank and in hand	614,796	(545,346)	-	69,450
	Debt				
	Debts falling due after one year	(10,179,784)	(602,164)	1,149,200	(9,632,748)
	<b>Net debt</b>	<b>(9,564,988)</b>	<b>(1,147,510)</b>	<b>1,149,200</b>	<b>(9,563,298)</b>

Non-cash changes relate to foreign exchange translation differences

3	Reconciliation of net cash flow to movement in net debt	2009	2008
		£	£
	(Decrease)/increase in cash in the year	(545,346)	608,526
	Cash inflow from increase in debt	(602,164)	(6,055,911)
	Net effect of foreign exchange differences	1,149,200	(2,389,494)
	<b>Movement in net debt in the year</b>	<b>1,690</b>	<b>(7,836,879)</b>
	Opening net debt	(9,564,988)	(1,728,109)
	<b>Closing net debt</b>	<b>(9,563,298)</b>	<b>(9,564,988)</b>

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# MENARD COMPETITION TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention

In the last twelve months the company has continued to service the contracts it won last year for the development of race engines for established motor racing teams and has won a further contract to produce engines for a well known motor cycle manufacturer. This growth has required significant investment from its parent undertaking Menard Inc in the form of interest free loans. The parent company has indicated that it will not seek repayment of these loans in the foreseeable future and that it will also continue to provide additional funding to aid the growth and development of the company whilst it continues to trade in accordance with its business plan. As a consequence despite the company having total liabilities in excess of assets of £4,285,806 at 31 December 2009 the director believes it is appropriate the financial statements on a going concern basis.

#### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

#### 1.3 Turnover

Turnover represents the amounts excluding value added tax chargeable during the period for goods and services supplied.

#### 1.4 Goodwill

Acquired negative goodwill is recognised in the profit and loss account in line with the periods over which the non-monetary assets acquired are recovered, whether through depreciation or sale.

#### 1.5 Research and development

Expenditure on research and development is written off in the year in which it is incurred.

#### 1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery

Over three to ten years on a straight line basis

#### 1.7 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### 1.8 Stock

Stock is valued at the lower of cost and net realisable value. Cost is represented by direct materials and labour incurred in bringing each product to its present location and condition. Net realisable value is estimated selling price less further costs to completion and disposal.

#### 1.9 Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

# MENARD COMPETITION TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

### 1 Accounting policies (Continued)

#### 1 10 Deferred taxation

In accordance with Financial Reporting Standard (FRS) 19 Deferred tax, full provision is made for deferred tax arising from timing differences between the differing treatment of certain items for taxation and accounting purposes. The provision is calculated at the rates of taxation at which it is estimated the liability will arise and is not discounted. No provision is made in respect of timing differences arising from the sale of fixed assets unless there is a commitment to the disposal of the assets at the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider there to be suitable taxable profits from which the underlying timing difference can be deducted.

#### 1 11 Foreign currency translation

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

### 2 Turnover

#### Geographical market

	Turnover 2009 £	2008 £
United Kingdom	1,649,095	2,429,656
United States of America and Canada	627,442	1,041,084
Rest of the world	2,320,379	2,000,435
	<u>4,596,916</u>	<u>5,471,175</u>

3 Operating loss	2009 £	2008 £
Operating loss is stated after charging		
Amortisation of intangible assets	(26,280)	(26,280)
Depreciation of tangible assets	1,759,712	1,749,915
Loss on foreign exchange translation	(1,149,200)	2,389,494
Operating lease rentals	23,621	72,036
Auditors' remuneration - audit services	18,750	17,000
Auditors' remuneration - tax compliance and after crediting	1,900	1,084
Profit on disposal of tangible assets	-	(3,800)

The exceptional administrative expense relates to foreign exchange gains recognised in the year (2008 loss suffered). These gains and losses mainly arise since the long term funding loan is denominated in US Dollars.

# MENARD COMPETITION TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

<b>4</b>	<b>Investment income</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
	Bank interest	70	5,457
		<u>          </u>	<u>          </u>
<b>5</b>	<b>Taxation</b>	<b>2009</b>	<b>2008</b>
	<b>Current tax charge</b>	<b>-</b>	<b>-</b>
		<u>          </u>	<u>          </u>
	<b>Factors affecting the tax charge for the year</b>		
	Loss on ordinary activities before taxation	(98,689)	(4,474,339)
		<u>          </u>	<u>          </u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28 00% (2008 - 28 00%)	(27,633)	(1,252,815)
		<u>          </u>	<u>          </u>
	Effects of		
	Non deductible expenses	-	(821)
	Non taxable income	(6,125)	(7,358)
	Capital allowances less than depreciation	234,571	167,308
	Profit on disposal of fixed assets	-	(1,064)
	Tax losses (utilised)/carried forward	(200,813)	1,094,750
		<u>          </u>	<u>          </u>
		27,633	1,252,815
		<u>          </u>	<u>          </u>
	<b>Current tax charge</b>	<b>-</b>	<b>-</b>
		<u>          </u>	<u>          </u>

The company has estimated losses of £ 8,636,000 (2008 - £ 9,353,000) available for carry forward against future trading profits

In accordance with FRS19, the company has not recognised a deferred tax asset in respect of the carried forward tax losses as there is insufficient evidence that there will be taxable profits in the future against which these losses may be relieved. The estimated value of the deferred tax asset not recognised is, at 28%, £2,418,000 (2008 2,619,000)

# MENARD COMPETITION TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

### 6 Intangible fixed assets

	Negative Goodwill £
<b>Cost</b>	
At 1 January 2009 & at 31 December 2009	(1,313,182)
<b>Amortisation</b>	
At 1 January 2009	(1,270,788)
Charge for the year	(26,280)
At 31 December 2009	(1,297,068)
<b>Net book value</b>	
At 31 December 2009	(16,114)
At 31 December 2008	(42,394)

### 7 Tangible fixed assets

	Plant and machinery £
<b>Cost</b>	
At 1 January 2009	7,383,043
Additions	164,096
At 31 December 2009	7,547,139
<b>Depreciation</b>	
At 1 January 2009	3,088,699
Charge for the year	1,759,712
At 31 December 2009	4,848,411
<b>Net book value</b>	
At 31 December 2009	2,698,728
At 31 December 2008	4,294,344

### 8 Stocks

	2009 £	2008 £
Finished goods and goods for resale	2,704,845	2,138,877

# MENARD COMPETITION TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

<b>9 Debtors</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Trade debtors	1,000,175	563,792
Other debtors	41,545	38,287
Prepayments and accrued income	199,837	153,129
	<u>1,241,557</u>	<u>755,208</u>
<b>10 Creditors: amounts falling due within one year</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Trade creditors	588,142	696,717
Taxes and social security costs	129,250	298
Accruals and deferred income	634,132	1,071,149
	<u>1,351,524</u>	<u>1,768,164</u>
<b>11 Creditors: amounts falling due after more than one year</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Other loans	<u>9,632,748</u>	<u>10,179,784</u>
<b>Analysis of loans</b>		
Wholly repayable within five years	<u>9,632,748</u>	<u>10,179,784</u>
	<u>9,632,748</u>	<u>10,179,784</u>
<b>Loan maturity analysis</b>		
In more than one year but not more than two years	<u>9,632,748</u>	<u>10,179,784</u>



# MENARD COMPETITION TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

12 Share capital	2009 £	2008 £
<b>Authorised</b>		
10,000 Ordinary shares of £1 each	10,000	10,000
4,990,000 Redeemable preference shares of £1 each	4,990,000	4,990,000
	<u>5,000,000</u>	<u>5,000,000</u>
<b>Allotted, called up and fully paid</b>		
10,000 Ordinary shares of £1 each	10,000	10,000
4,990,000 Redeemable preference shares of £1 each	4,990,000	4,990,000
	<u>5,000,000</u>	<u>5,000,000</u>

The redeemable preference shares rank pari passu with the ordinary shares with regard to voting and dividend rights. On a return of assets, the redeemable preference shares rank in preference to the ordinary shares.

The redeemable preference shares can be redeemed at any time, provided sufficient distributable reserves exist, at the option of the company only, with not less than 30 days notice. Redemption values will be equal to the nominal value of the shares plus any accruals of dividend in respect of each share.

## 13 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2009	(9,187,117)
Loss for the year	(98,689)
Balance at 31 December 2009	<u>(9,285,806)</u>

## 14 Reconciliation of movements in shareholders' funds

	2009 £	2008 £
Loss for the financial year	(98,689)	(4,474,339)
Opening shareholders' funds	(4,187,117)	287,222
Closing shareholders' funds	<u>(4,285,806)</u>	<u>(4,187,117)</u>

# MENARD COMPETITION TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

### 15 Financial commitments

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings			
	2009	2008	2009	Other 2008
	£	£	£	£
Expiry date				
Within one year	15,000	-	-	3,415
Between one and five years	-	60,000	8,621	8,621
	<u>15,000</u>	<u>60,000</u>	<u>8,621</u>	<u>12,036</u>

### 16 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was

	2009 Number	2008 Number
Administration	22	27
Workshop	19	28
	<u>41</u>	<u>55</u>

#### Employment costs

	2009 £	2008 £
Wages and salaries	2,207,585	2,600,973
Social security costs	190,494	254,780
Other pension costs - defined contribution scheme	32,042	27,449
	<u>2,430,121</u>	<u>2,883,202</u>

The director received no remuneration during the year

### 17 Control

The company is a subsidiary of Menard Inc, a company incorporated in the United States of America. The ultimate controlling party is J Menard.

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## **MENARD COMPETITION TECHNOLOGIES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2009**

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#### **18 Related party transactions**

During the year the company made sales of £76,026 (2008 £26,082) to Menard Engineering Group. At 31 December 2009 the company owed Menard Inc £9,632,748 (2008 £10,179,784). The loan is interest free and there are no fixed repayment terms. These companies are under the common control of J Menard.