

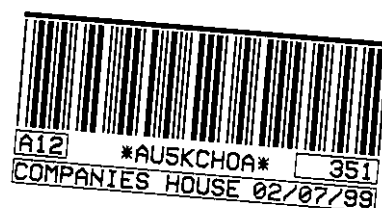
Registered no: 787446

British American Racing GP Limited

(formerly Tyrrell Racing Organisation Limited)

Annual report

for the year ended 30 November 1998



British American Racing GP Limited
(formerly Tyrrell Racing Organisation Limited)

Annual report
for the year ended 30 November 1998

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British American Racing GP Limited

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Directors' report for the year ended 30 November 1998

The directors present their report and the audited financial statements for the year ended 30 November 1998.

Principal activity

The principal activity of the company is that of Formula One motor racing.

Review of business and future developments

The profit and loss account for the year is set out on page 5.

Both the level of business and the period end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends

The directors do not recommend payment of a dividend.

Directors

The directors of the company at 30 November 1998, all of whom have been directors for the whole of the year then ended, are listed below:

C Pollock
A J Reynard
B R R Johnston
R J Gorne

During the year S Nakajima and J Jakobi resigned as directors on 23 February 1998 and 2 September 1998 respectively.

Subsequent to the year end, on 22 February 1999, B R R Johnston resigned as a director and N A Wadey was appointed as a director.

Directors' interests

None of the directors who held office at the end of the year had any interest in the share capital of the company. The interests of Mr C Pollock and Mr A J Reynard in the shares of other group companies are disclosed in the group accounts of the company's parent company, British American Racing (Holdings) Limited.

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Year 2000

The year 2000 data change may potentially cause problems in the functionality of software and in the operation of equipment controlled in microprocessors. To minimise this risk the company is completing a programme to identify the main risk areas, is assessing the necessary actions required and is presently applying appropriate resources to mitigate the risk.

The range of actions being undertaken include the replacement of non-compliant software and hardware, the modification of non-compliant applications software and the upgrading of proprietary software to compliant version. Hardware, software and computer controlled equipment are being tested and also, where relevant, in co-operation with the supplier. The costs of these modifications are not expected to be significant and are being written off as incurred.

European Monetary Union (EMU)

The company is preparing for the introduction of the EMU. Commercial and financial systems and processes have been adapted to enable the company to transact and operate in the Euro from 1 January 1999. The costs of these changes were not significant and have been written off as incurred.

Directors' responsibilities

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

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business (see note 1).

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

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Auditors

A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By order of the board

A handwritten signature in dark ink, appearing to read 'N. Rivers', is written over the printed name and title.

Nigel Rivers
Company Secretary

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Report of the auditors to the members of British American Racing GP Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including, as described on page 3, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

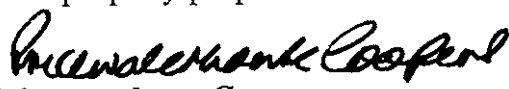
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 30 November 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading

2nd July 1999

British American Racing GP Limited
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**Profit and loss account
for the year ended 30 November 1998**

	Notes	1998 US \$	11 months ended 30 November 1997 US \$
Turnover	2	26,199,984	24,818,737
Administrative expenses		(55,190,314)	(26,720,210)
		<hr/>	<hr/>
Operating loss		(28,990,330)	(1,901,473)
Interest receivable		127,245	57,923
Interest payable and similar charges	5	(24,900)	(680,960)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	2,6	(28,887,985)	(2,524,510)
Tax on loss on ordinary activities	7	-	22,934
		<hr/>	<hr/>
Loss for the year	15	(28,887,985)	(2,501,576)
		<hr/>	<hr/>

The results for the periods above are derived entirely from continuing operations.

The company has no recognised gains and losses other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the periods stated above and their historical cost equivalents.

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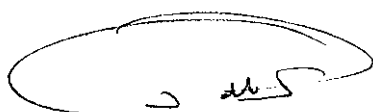
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Balance sheet at 30 November 1998

	Notes	1998 US \$	1997 US \$
Fixed assets			
Tangible assets	8	21,914,641	394,154
Current assets			
Stocks	9	7,506,120	192,404
Debtors	10	12,472,268	4,324,494
Cash at bank and in hand		1,011,584	3,811,478
		20,989,972	8,328,376
Creditors: amounts falling due within one year	11	(45,636,329)	(9,759,420)
Net current liabilities		(24,646,357)	(1,431,044)
Total assets less current liabilities		(2,731,716)	(1,036,890)
Creditors: amounts falling due after more than one year	12	(27,283,947)	(90,788)
Net liabilities		(30,015,663)	(1,127,678)
Capital and reserves			
Called-up share capital	14	187	187
Share premium account	15	84,232	84,232
Profit and loss account (deficit)	15	(30,100,082)	(1,212,097)
Equity shareholders' funds (deficit)	16	(30,015,663)	(1,127,678)

The financial statements on pages 5 to 16 were approved by the board of directors on
23 June 1999 and were signed on its behalf by:



C Pollock
Director

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Notes to the financial statements for the year ended 30 November 1998

1 Principal accounting policies

The financial statements have been prepared under the historical cost convention, and in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Comparative figures

The comparative figures are in respect of the 11 months ended 30 November 1997.

Basis of accounting

British American Racing (Holdings) Limited, the ultimate parent company has indicated that it will make available such funds as are necessary to allow the company to continue trading for the foreseeable future and consequently the financial statements have been prepared on a going concern basis.

Foreign currencies

The directors consider United States of America Dollars ("US\$") to be the functional currency of the company and the local currency as defined in SSAP 20 "Foreign Currency Translation". Accordingly these financial statements are presented in US \$. At 30 November 1998, the exchange rate to £ Sterling was 1.651.

Assets and liabilities in foreign currencies are translated into US \$ at rates of exchange ruling at the end of the financial year. Transaction in foreign currencies are translated into US \$ at the rate of exchange ruling at the date of the transaction.

All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is provided so as to write off the cost of tangible fixed assets, using the following rates and bases to reduce by annual instalments the cost, less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

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	%
Freehold buildings	2
Improvements to premises	33
Plant and machinery	25
Fixtures and equipment, computer equipment	20-25
Motor and commercial vehicles	20-25

Freehold land is not depreciated.

Stocks

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

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Research and development

Research and development expenditure is written off in the period in which it is incurred. The activities of the company are all dedicated towards the design and development of a car to compete successfully in Formula One motor racing. Accordingly it is not possible to quantify separately the costs relating to this aspect of the group's activities.

Turnover

Turnover, which excludes value added tax and trade discounts represents the invoiced value of goods and services supplied, sponsorships, prize money and other income relating to its principal activity.

Related parties

FRS 8 'Related Party Disclosures' requires the disclosure of the details of material transactions between the reporting entity and any related parties. The company has not disclosed transactions with other group companies including their associates and joint ventures in accordance with the exemption in FRS 8 paragraph 3(c).

Cash flow

In accordance with the provisions of FRS 1 (revised) 'Cash flow statements', the company has taken advantage of the exemption for small companies therein. Accordingly, a cash flow statement has not been included in these financial statements.

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Pension scheme

The group does not operate a pension scheme. Pension contributions are made to personal pension plans. Pension contributions are charged to the profit and loss account as they fall due.

The group provides no other post retirement benefits to its employees.

2 Turnover and loss on ordinary activities before taxation

The turnover and loss on ordinary activities before taxation are wholly attributable to its principal activity arising in the United Kingdom.

3 Directors' emoluments

	11 months ended 30 November 1998 US \$	1997 US \$
Aggregate emoluments	-	1,625,214
Company pension contributions to money purchase schemes	-	326,405

The highest paid director earned aggregate emoluments of \$nil (1997: \$722,462) and received pension contributions of \$nil (1997: \$62,007).

4 Employee information

The average monthly number of persons (including executive directors) employed during the year was:

By activity	1998 Number	1997 Number
Design and manufacturing	94	105
Administration	16	15
	<u>110</u>	<u>120</u>

	11 months ended 30 November 1998 US \$	1997 US \$
Staff costs (for the above persons):		
Wages and salaries	8,314,931	6,864,943
Social security costs	805,429	666,995
Other pension costs	179,369	474,349
	<u>9,299,729</u>	<u>8,006,287</u>

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5 Interest payable and similar charges

		11 months ended 30 November
	1998	1997
	US \$	US \$
Interest payable on bank loans and overdraft	952	3,547
Other interest payable	23,948	677,413
	<u>24,900</u>	<u>680,960</u>

6 Loss on ordinary activities before taxation

		11 months ended 30 November
	1998	1997
	US \$	US \$
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation for the period on tangible owned fixed assets	399,450	679,840
Auditors' remuneration	11,000	11,794
Profit on sale of fixed assets	(1,000,000)	-
Hire of plant and machinery	193,752	222,394
Hire of other assets	155,042	165,072
	<u>158,244</u>	<u>1,079,100</u>

Exceptional item

On 30 November 1998, the company purchased from British American Racing Limited, its fellow subsidiary, British American Racing Limited's rights to all of the car design and development work carried out since the incorporation of that company on 2 September 1997, for \$25,280,162.

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7 Tax on loss on ordinary activities

	11 months ended 30 November 1997 US \$	1998 US \$
Corporation tax recoverable - current	(52,234)	-
Adjustment to prior period corporation tax charge	29,300	-
	<u>(22,934)</u>	<u>-</u>

The company has taxation losses available to be carried forward of approximately US \$31 million which will be available to reduce future taxable income. These losses have not yet been agreed with the tax authorities.

8 Tangible fixed assets

	Freehold land and buildings	Leasehold premises	Plant and machinery	Fixtures and equipment	Computer equipment	Motor vehicles	Total
	US \$	US \$	US \$	US \$	US \$	US \$	US \$
Cost							
At 1 December 1997	-	1,010,744	1,814,152	198,897	694,296	760,217	4,478,306
Additions	-	-	2,957	-	4,977	-	7,931
Acquired from fellow subsidiary	16,444,373	-	623,988	87,264	5,448,573	24,842	22,629,040
Disposals	-	(1,010,744)	(1,817,109)	(198,897)	(699,271)	(760,217)	(4,486,238)
At 30 November 1998	16,444,373	-	623,988	87,264	5,448,575	24,842	22,629,039
Depreciation							
At 1 December 1997	-	1,008,627	1,696,240	180,981	484,833	713,471	4,084,152
Charge in year	-	2,117	120,869	15,280	214,438	46,746	399,450
Acquired from fellow subsidiary	94,814	-	83,204	47,484	488,899	-	714,401
Disposals	-	(1,010,744)	(1,817,109)	(196,261)	(699,271)	(760,217)	(4,483,602)
At 30 November 1998	94,814	-	83,204	47,484	488,899	-	714,401
Net book value							
At 30 November 1998	16,349,559	-	540,784	39,780	4,959,676	24,842	21,914,641
Net book value							
At 30 November 1997	-	2,117	117,912	17,916	209,463	46,746	394,154

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9 Stocks

	1998 US \$	1997 US \$
Other assets purchased for resale	7,332,637	-
Raw materials and components	173,483	192,404
	<u>7,506,120</u>	<u>192,404</u>

10 Debtors

	1998 US \$	1997 US \$
Amounts falling due within one year		
Trade debtors	829,021	93,587
Other debtors	19,487	300,914
Other taxation	2,875,458	-
Prepayments and accrued income	8,748,302	3,929,993
	<u>12,472,268</u>	<u>4,324,494</u>

11 Creditors: amounts falling due within one year

	1998 US \$	1997 US \$
Bank loans and overdraft (secured see note 12)	9,982,537	1,155,157
Trade creditors	10,971,012	1,645,603
Amounts due to group undertakings	1,243,750	3,476,014
Other creditors	38,168	21,692
Other taxation and social security	283,844	636,581
Accruals and deferred income	23,117,018	2,824,373
	<u>45,636,329</u>	<u>9,759,420</u>

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12 Creditors: amounts falling due after more than one year

	1998 US \$	1997 US \$
Bank loans and overdrafts (secured)	19,180,966	1,155,157
Amounts owed to group undertaking	8,085,518	-
Other creditors	-	90,788
Deferred income	10,000,000	-
	<u>37,266,484</u>	<u>1,245,945</u>
Less: amounts falling due within one year		
Bank loan and overdraft	(9,982,537)	(1,155,157)
	<u>27,283,947</u>	<u>90,788</u>

Bank loans and overdrafts

	1998 US \$	1997 US \$
Repayable as follows:		
In one year or less	9,982,537	1,155,157
Between one and two years	2,830,286	-
Between two and five years	6,368,143	-
	<u>19,180,966</u>	<u>1,155,157</u>

The bank loans and overdraft are secured by cross guarantees by group undertakings and by guarantees for the company's shareholders.

13 Deferred taxation

Deferred taxation provided in the financial statements and the amount unrecognised of the total potential liability/(asset) are as follows:

	Amount provided		Amount not recognised	
	1998 US \$	1997 US \$	1998 US \$	1997 US \$
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	-	-	300,000	(267,000)
Other	-	-	(140,000)	-
Losses	-	-	(9,500,000)	(750,000)
	<u>-</u>	<u>-</u>	<u>(9,340,000)</u>	<u>(1,017,000)</u>

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14 Called-up share capital

	1998 US \$	1997 US \$
Authorised		
1,000 ordinary shares of £1 each	<u>1,685</u>	<u>1,685</u>
Allotted, called-up and fully paid		
111 ordinary shares of £1 each	<u>187</u>	<u>187</u>

15 Reserves

	Profit and loss account (deficit) US \$	Share premium account US \$
At 1 December 1997	(1,212,097)	84,232
Loss for the year	<u>(28,887,985)</u>	<u>-</u>
At 30 November 1998	<u>(30,100,082)</u>	<u>84,232</u>

16 Reconciliation of movement in shareholders' funds

	1998 US \$	1997 US \$
Loss for the financial year/period	(28,887,985)	(2,501,576)
Opening shareholders' funds	<u>(1,127,678)</u>	<u>1,373,898</u>
Closing shareholders' funds	<u>(30,015,663)</u>	<u>(1,127,678)</u>

17 Acquisitions

On 30 November 1998, the company acquired all of the trade and assets, of a fellow group undertaking, British American Racing Limited, except for a balance of US \$2 with its parent undertaking, the consideration being the company's agreement to discharge all of the liabilities of the fellow group undertaking. The assets were acquired at the following net book values which are considered by the directors to be their fair values:

	US \$
Tangible fixed assets	21,914,641
Stocks	7,506,120
Debtors	31,281,666
Cash at bank and in hand	<u>23,524</u>
Total assets acquired	<u>60,725,951</u>
Consideration satisfied by:	
Creditors: assets falling due within one year	(41,527,522)
Creditors: amounts falling due after more than one year	<u>(19,198,429)</u>
	<u>60,725,951</u>

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From 2 September 1997, the date of incorporation, to 30 November 1998 the results of British American Racing Limited were as follows:

	US \$
Turnover	27,600,471
Operating loss	(315,799)
Loss on ordinary activities before taxation	(564,109)
Taxation	-
Loss on ordinary activities after taxation	(564,109)

18 Financial commitments

At 30 November 1998 there were annual commitments under non-cancellable operating leases were as follows:

	1998 US \$	1997 US \$
Land and buildings:		
Leases expiring within one year	-	157,529
Other:		
Leases expiring within one year	-	200,998
Leases expiring between two and five years	949,779	15,050
	949,779	216,058
	949,779	373,587

19 Contingent liabilities

The company has guaranteed the bank and other borrowings of group undertakings which at 30 November 1998 amounted to US \$nil.

20 Related party transactions

During the year the company paid US \$1,273,507 (1997: US \$1,043,169) to Nakajima Planning, a company owned by S Nakajima, who was a director of the company, in respect of commissions on sponsorship arrangements negotiated on behalf of British American Racing GP Limited.

Included in trade creditors in note 11 is an amount of US \$649,814 in respect of amounts due to Reynard Formula 1 Limited, a company controlled by a Director, Mr A J Reynard. This balance was transferred to the company as part of the acquisition detailed in note 17.

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21 Ultimate parent company and controlling party

The directors regard British American Racing (Holdings) Limited, a company incorporated in Great Britain as the ultimate parent company and the controlling party. According to the register kept by the company, British American Racing (Holdings) Limited has a 100% interest in the equity share capital of British American Racing GP Limited at 30 November 1998. Copies of the parent's consolidated financial statements may be obtained from The Secretary, British American Racing (Holdings) Limited, British American Racing Operations Centre, Brackley, Northants, NN13 7BD, United Kingdom.