

Registered Number 00787446

**Honda GP Limited**  
(formerly BAR Honda GP Limited)  
Annual report  
for the year ended 31 December 2006

FRIDAY



A30      \*AEA2FU4D\*      383  
26/10/2007  
COMPANIES HOUSE

**Honda GP Limited**  
(formerly BAR Honda GP Limited)

**Annual report  
for the year ended 31 December 2006**

	Pages
Directors' report	1
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7

## **Directors' report for the year ended 31 December 2006**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2006

### **Principal activity**

The principal activity of the company is the design, development, manufacture, test and racing of Formula One motor racing cars

### **Review of business and future developments**

The directors consider that the trading performance of the company was in line with expectations for the year. After a reasonable start to the season, the team achieved a significant improvement in performance which resulted in a 4<sup>th</sup> place finish in the 2006 Constructors' Championship (compared with 6<sup>th</sup> in 2005). The team achieved its prime objective in 2006 by securing its first race win at the Hungarian Grand Prix. The company has made substantial progress on its major programme of capital investment to improve its technical infrastructure, which the directors believe will support the team's technical progress in years to come.

On 10 January 2006 the company changed its name from BAR Honda GP Limited to Honda GP Limited

### **Results and dividends**

The results for the year are shown on page 5. The directors do not recommend payment of a dividend (2005: £Nil).

### **Financial risk management**

The company's operations expose it to a variety of financial risks that include, to a greater or lesser degree, the effects of changes in interest rates, liquidity risk, credit risk and foreign exchange risk.

#### *Interest and liquidity risk*

The company's ultimate parent undertaking, Honda Motor Co Ltd, manages the interest rate and liquidity risks associated with the whole Honda Group, as disclosed in the financial statements of that company. Honda GP Limited is financed by intercompany borrowings.

The company pays interest on intercompany borrowings at a rate of interest determined by the group. No financial instruments were used by the Company during the year to manage interest rate costs, and therefore no hedge accounting has been applied.

#### *Credit risk*

The company's exposure to credit risk is primarily through its sponsorship contracts and it has implemented policies that require appropriate credit checks on potential sponsors during the negotiation of new contracts. Any specific risks are brought to the attention of management and are reassessed regularly.

## **Directors' report for the year ended 31 December 2006 (continued)**

### *Foreign exchange risk*

The company is exposed to movements in foreign exchange rates as a result of revenue receipts in currencies other than sterling. Following Honda Motor Co Ltd, the company's ultimate parent undertaking, increasing its share interest in the immediate parent undertaking to 100% it has taken on the responsibility of managing the company's foreign exchange risk and, as a consequence, the company has ceased placing forward exchange contracts.

### **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 total costs relating to this aspect of the company's activities.

### **Directors and their interests**

The directors who held office during the year are given below:

N Fry  
N Kerr  
Y Wada

None of the directors who held office during the year had any interest in the share capital of the company at any time during the year or at the end of the year.

### **Employees**

The company maintains its commitment to pro-active programmes for involving its employees in company affairs. This is achieved in a variety of ways, including the regular publication of newsletters and staff briefings and by consultations with staff committees. Regular staff attitude surveys are undertaken and a number of suggestion schemes are in operation, providing a regular flow of ideas for improving efficiency and performance.

It is the policy of the company that disabled people, whether registered or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining. The company is prepared to modify procedures or equipment wherever this is practicable, so that full use can be made of an individual's abilities.

### **Donations**

During the year the company made charitable donations amounting to £20,976 (2005: £14,629).

## **Directors' report for the year ended 31 December 2006 (continued)**

### **Statement of 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. The directors are required to 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 confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year to 31 December 2006 and that applicable accounting standards have been followed.

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.

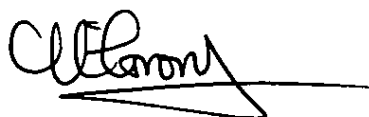
### **Statement as to disclosure of information to auditors**

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Auditors**

The auditors PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board



**C McGrory**  
Company Secretary

## **Independent auditors' report to the members of Honda GP Limited**

We have audited the financial statements of Honda GP Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for each report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

### **In our opinion**

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*  
PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Reading

*28 June 2007*

**Profit and loss account for the year ended 31 December 2006**

		2006	2005
	Note	£'000	£'000
<b>Turnover</b>	2	<b>121,689</b>	96,998
<b>Administrative expenses</b>		<b>(120,631)</b>	(100,210)
<b>Operating profit/(loss)</b>	3	<b>1,058</b>	(3,212)
Interest receivable and similar income		157	41
Interest payable and similar charges	6	(1,215)	(399)
Other financial income	3	-	149,524
<b>Result/profit on ordinary activities before taxation</b>		-	145,954
Tax on result/profit on ordinary activities	7	-	-
<b>Result/retained profit for the financial year</b>	17	-	145,954

The result/profit for the years above are derived entirely from continuing operations

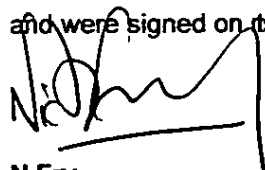
The company has no recognised gains and losses other than the result/profit above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the result/profit on ordinary activities before taxation and the result/retained profit for the years stated above and their historical cost equivalents

**Balance sheet as at 31 December 2006**

	Note	2006 £'000	2005 £'000
<b>Fixed assets</b>			
Tangible assets	8	47,452	29,158
Investments	9	-	-
		<b>47,452</b>	<b>29,158</b>
<b>Current assets</b>			
Stock	10	7,519	7,420
Debtors	11	13,875	24,337
Cash at bank and in hand		8,349	10,635
Cash at bank and in hand restricted		93	800
		<b>29,836</b>	<b>43,192</b>
<b>Creditors – Amounts falling due within one year</b>	12	<b>(75,751)</b>	<b>(82,063)</b>
<b>Net current liabilities</b>		<b>(45,915)</b>	<b>(38,871)</b>
<b>Total assets less current liabilities</b>		<b>1,537</b>	<b>(9,713)</b>
<b>Creditors – Amounts falling due after more than one year</b>		<b>(11,250)</b>	<b>-</b>
<b>Net liabilities</b>		<b>(9,713)</b>	<b>(9,713)</b>
<b>Capital and reserves</b>			
Called-up share capital	16	-	-
Share premium account	17	44	44
Profit and loss reserve (deficit)	17	(9,757)	(9,757)
<b>Equity shareholders' (deficit)</b>	18	<b>(9,713)</b>	<b>(9,713)</b>

The financial statements on pages 5 to 16 were approved by the board of directors on 20/06/07 and were signed on its behalf by



**N Fry**  
Director



## **Notes to the financial statements for the year ended 31 December 2006**

### **1 Principal accounting policies**

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

#### **Basis of accounting**

Honda Motor Company 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.

#### **New accounting standards**

New accounting standards under UK GAAP relevant for the year ending 31 December 2006 are FRS20 'Share based payments', FRS22 'Earnings per share', FRS23 'The effects of changes in foreign currency', FRS 26 'Financial Instruments Measurement', FRS 27 'Life Assurance', FRS 28 'Corresponding amounts', FRS 29 'Financial Instruments Disclosures'. The application of the standards relevant to the group had no effect on the results for the year ending 31 December 2006 (period ending 31 December 2005: none).

#### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into Sterling £ at rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into Sterling £ 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:

	%
Leasehold buildings	10
Plant and machinery	10 - 25
Fixtures and equipment, computer equipment	10-33 33
Motor and commercial vehicles	20

Assets under construction are not depreciated.

#### **Stock**

Stock is stated at the lower of cost and net realisable value. All the costs incurred on raw materials and components acquired in respect of the next year's car are included in stock and are expensed in the year in which full race testing of the car commences, together with an element of overheads.

## **1 Principal accounting policies**

### **Finance and operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership are treated as if the asset had been purchased outright. The assets are included in tangible fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful life of equivalent owned assets.

### **Deferred taxation**

Provision is made for deferred taxation, using the full provision method, on all material timing differences. Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Discounting is not applied to deferred taxation.

### **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 company'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 the company's principal activity, arising in the period and for which collectability is assured.

### **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 in accordance with the exemption in FRS 8 paragraph 3(c).

### **Pension scheme**

The company does not operate a pension scheme. The company provides no other post retirement benefits to its employees.

### **Cash flow statement**

The company is a wholly owned subsidiary of Honda GP Holdings Limited and is included within the consolidated statements of Honda GP Holdings Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1.

## 2 Turnover and profit on ordinary activities before taxation

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

## 3 Operating profit/(loss)

<b>Operating profit/(loss) is stated after charging/(crediting):</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
Depreciation of tangible fixed assets		
- owned assets	<b>2,925</b>	2,947
- leased assets	<b>1,326</b>	798
(Gain) / loss on disposal of fixed assets	<b>(41)</b>	33
Operating lease charges		
- plant and machinery	<b>453</b>	104
- other assets	<b>432</b>	417
Foreign exchange (gain) / loss	<b>(199)</b>	2,961

<b>Auditors' remuneration.</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
Remuneration receivable by the company's auditors for the auditing of the annual accounts	<b>55</b>	55
Fees payable to company's auditors and its associates for other services		
- services relating to taxation	<b>36</b>	96

Other financial income of £149,954,000 in 2005 relates to intercompany debt being forgiven

#### 4 Directors' emoluments

	2006	2005
	£'000	£'000
Aggregate emoluments	672	541
Sums paid to third parties for directors' services	-	126

	2006	2005
	£'000	£'000
Highest paid director:		
Aggregate emoluments	510	511

The above details of directors' emoluments for 2006 and 2005 do not include the emoluments of Y Wada, which were paid by a fellow group company. It was not possible to identify separately the amounts that relate to his services to this company and as such no amounts are set out in the table above.

#### 5 Employee information

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

By activity	2006	2005
Design, manufacturing and engineering	503	438
Administration	55	52
	558	490

	2006	2005
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	28,552	23,596
Social security costs	3,293	2,952
	31,845	26,548

## 6 Interest payable and similar charges

	2006 £'000	2005 £'000
Interest payable on bank overdraft	79	399
Interest payable on group loans	1,136	-
	<b>1,215</b>	<b>399</b>

## 7 Tax on result/profit on ordinary activities

The company has estimated taxation losses available to be carried forward of approximately £139 million (2005 £131 million) which will be available to reduce future taxable income. These losses have not yet been agreed with the tax authorities.

	2006 £'000	2005 £'000
<b>Current tax.</b>		
UK corporation tax on loss of the year/period	(72)	-
Adjustment in respect of previous periods	72	-
Total current tax	-	-

The tax assessed for the year/period is higher (2005 higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2006 £'000	2005 £'000
Result/profit on ordinary activities before tax	-	145,954
Result/profit on ordinary activities multiplied by standard rate in the UK 30% (2005 30%)	-	43,786
Effects of		
Expenses not deductible for tax purposes	793	279
Excess capital allowances over depreciation	(865)	792
Non taxable debt waiver	-	(44,857)
Adjustments in respect of prior periods	72	-
Current tax charge for the year	-	-

**Honda GP Limited**  
(formerly BAR Honda GP Limited)

12

**8 Tangible fixed assets**

	Leasehold land and buildings including tenants improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
<b>Cost</b>							
At 1 January 2006	10,327	3,614	3,384	8,011	901	20,223	46,460
Additions	-	221	588	427	459	20,980	22,675
Transfers	10,776	21,459	428	34	256	(32,953)	-
Disposals	-	(173)	(33)	(74)	(64)	-	(344)
<b>At 31 December 2006</b>	<b>21,103</b>	<b>25,121</b>	<b>4,367</b>	<b>8,398</b>	<b>1,552</b>	<b>8,250</b>	<b>68,791</b>
<b>Accumulated depreciation</b>							
At 1 January 2006	(4,421)	(2,164)	(2,632)	(7,584)	(501)	-	(17,302)
Charge for the year	(1,326)	(1,995)	(322)	(239)	(369)	-	(4,251)
Disposals	-	91	33	50	40	-	214
<b>At 31 December 2006</b>	<b>(5,747)</b>	<b>(4,068)</b>	<b>(2,921)</b>	<b>(7,773)</b>	<b>(830)</b>	<b>-</b>	<b>(21,339)</b>
<b>Net book amount</b>							
<b>At 31 December 2006</b>	<b>15,356</b>	<b>21,053</b>	<b>1,446</b>	<b>625</b>	<b>722</b>	<b>8,250</b>	<b>47,452</b>
At 31 December 2005	5,906	1,450	752	427	400	20,223	29,158

## 9 Fixed asset investments

### Interests in subsidiary undertakings

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of shares held	Principal activities
Advantage CFD Limited	Great Britain	Ordinary shares of £1 each	100%	Dormant

## 10 Stock

	2006 £'000	2005 £'000
Raw materials and components	7,519	7,420

## 11 Debtors

	2006 £'000	2005 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	1,184	1,387
Amounts owed by group undertakings	448	2,172
Other taxation	-	3
Prepayments and accrued income	12,243	20,775
	<b>13,875</b>	<b>24,337</b>

Amounts owed by group undertakings are interest free, unsecured and have no fixed date of repayment

## 12 Creditors – Amounts falling due within one year

	2006 £'000	2005 £'000
Group loans (Note 14)	31,250	-
Bank overdraft (Note 14)	-	3,078
Trade creditors	11,681	11,766
Other taxation and social security	1,808	13,051
Amounts owed to group undertakings	480	21,468
Accruals and deferred income	30,532	32,700
	<b>75,751</b>	<b>82,063</b>

Included in the group loans is an amount of £27,500,000 repayable on 30 March 2007 and carries interest at 5.47% fixed. Subsequent to the year end the group loan was extended such that it is now repayable on 29 June 2007 and carries interest at 5.87% fixed.

The balance of £3,750,000 is payable in equal annual two instalments of £1,875,000 commencing on 20 May 2007 and carries interest at 5.66% fixed. Amounts owed to group undertakings are interest free, unsecured and have no fixed date of repayment.

## 13 Creditors – Amounts falling due after more than one year

	2006 £'000	2005 £'000
Group loans (Note 14)	11,250	-

The group loan is payable in two equal annual instalments of £1,875,000 commencing 20 May 2008 and carries interest at 5.66% fixed.

## 14 Loans and other borrowings

	2006 £'000	2005 £'000
Group loans	42,500	-
Bank overdraft	-	3,078
	<b>42,500</b>	<b>3,078</b>
<b>Maturity of financial liabilities</b>		
In one year or less, or on demand	31,250	3,078
In more than one year, but not more than two years	3,750	-
In more than two years, but not more than five years	7,500	-
	<b>42,500</b>	<b>3,078</b>



## 15 Deferred taxation

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

	Amounts recognised		Amount not recognised	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Excess of capital allowances over depreciation	-	-	(795)	(2,573)
Losses	-	-	(41,572)	(39,444)
	-	-	(42,367)	(42,017)

## 16 Called-up share capital

	2006 £	2005 £
<b>Authorised</b>		
1,000 ordinary shares of £1 each	1,000	1,000
<b>Allotted, called-up and fully paid</b>		
111 ordinary shares of £1 each	111	111

## 17 Reserves

	Share premium account £'000	Profit & loss reserve (deficit) £'000
At 1 January 2006	44	(9,757)
Result for the year	-	-
<b>At 31 December 2006</b>	<b>44</b>	<b>(9,757)</b>

## 18 Reconciliation of movement in shareholders' deficit

	2006 £'000	2005 £'000
Result/retained profit for the financial year	-	145,954
Opening shareholders' deficit	(9,713)	(155,667)
<b>Closing shareholders' deficit</b>	<b>(9,713)</b>	<b>(9,713)</b>

## 19 Financial commitments

At 31 December 2006 there were annual commitments under non-cancellable operating leases expiring as follows

	Land and buildings	Other	Land and buildings	Other
	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Within one year	-	114	-	-
Within two and five years	-	400	-	424
After five years	714	-	714	-
	<b>714</b>	<b>514</b>	<b>714</b>	<b>424</b>

## 20 Capital commitments

The company had capital commitments of £11,113,000 at 31 December 2006 (2005 £7,056,000)

## 21 Ultimate parent company and controlling party

At 31 December 2006 and the date of this report the directors regarded Honda Motor Co Ltd, a company incorporated in Japan, as the ultimate parent company and the controlling party

According to the register kept by the company, Honda GP Holdings Limited had a 100% interest in the equity share capital of Honda GP Limited at 31 December 2006, and as such was the company's immediate parent company