

Registered Number 787446

British American Racing GP Limited
Annual report
for the year ended 30 November 2000



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Directors' report for the year ended 30 November 2000

The directors present their report and the audited financial statements for the year ended 30 November 2000.

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 4.

The directors consider that the trading performance of the group did not meet expectations, however the directors believe that the future prospects are significantly better. The continuing relationship with Honda Motor Company to supply engines, and the on-track performance of the team in the early part of the 2001 season, are positive indicators that future performance will improve.

Dividends

The directors do not recommend payment of a dividend (1999: £Nil).

Research and development

Details of the company's research and development activities are discussed in note 1.

Directors

The directors of the company at 30 November 2000, all of whom have been directors for the whole of the year then ended, except where otherwise stated, are listed below:

C Pollock
A J Reynard
A Young

R J Gorne resigned as a director of the company on 5 April 2000.

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 C Pollock and 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.

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.

Auditors

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

By order of the board



Nigel Rivers
Company Secretary

**Auditors' report to the members of
British American Racing GP Limited**

We have audited the financial statements on pages 4 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 United Kingdom 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 audit 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 the company's affairs at 30 November 2000 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

12th April 2001

Profit and loss account for the year ended 30 November 2000

	Note	2000 US\$'000	1999 US\$'000
Turnover	2	69,147	60,320
Administrative expenses		(97,083)	(126,460)
Operating loss		(27,936)	(66,140)
Bank interest receivable		325	169
Interest payable and similar charges	5	(1,950)	(1,802)
Loss on ordinary activities before taxation	2, 6	(29,561)	(67,773)
Tax on loss on ordinary activities	7	-	-
Loss for the year	16	(29,561)	(67,773)

The results for the years 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 years stated above and their historical cost equivalents.

Balance sheet as at 30 November 2000

	Note	2000 US \$'000	1999 US \$'000
Fixed Assets			
Tangible assets	8	22,029	26,173
Current assets			
Stock	9	2,225	3,120
Debtors	10	4,320	7,531
Cash at bank and in hand		1,249	-
Cash on restricted deposit	11	2,426	2,594
		10,220	13,245
Creditors – Amounts falling due within one year	12	(31,755)	(59,960)
Net current liabilities		(21,535)	(46,715)
Total assets less current liabilities		494	(20,542)
Creditors – Amounts falling due after more than one year	13	(127,844)	(77,247)
Net liabilities		(127,350)	(97,789)
Capital and reserves			
Called-up share capital	15	-	-
Share premium account	16	84	84
Profit and loss account (deficit)	16	(127,434)	(97,873)
Equity shareholders' funds (deficit)	17	(127,350)	(97,789)

The financial statements on pages 4 to 15 were approved by the board of directors on 26 MARCH 2001 and were signed on its behalf by:

C Pollock
Director

**Notes to the financial statements
for the year ended 30 November 2000****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.

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 2000, the exchange rate to £ Sterling was 1.4218.

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

	%
Freehold buildings	8.33
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. All the costs incurred on raw materials and components acquired in respect of the next years car are included in stocks and are expensed in the year in which full race testing of the car commences.

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

Cash flow

The company is a wholly owned subsidiary of British American Racing (Holdings) Limited and the cash flows of the company are included in the consolidated cash flow statement of British American Racing (Holdings) Limited. Consequently the company is exempt under the terms of FRS 1 'Cash Flow Statements' from publishing a cash flow statement.

Pension scheme

The company does not operate a pension scheme. The company 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

	2000 US \$'000	1999 US \$'000
Aggregate emoluments	1,367	1,416
Sums paid to third parties for directors' services	175	877

Emoluments payable to the highest paid director are as follows:	2000 US \$'000	1999 US \$'000
Aggregate emoluments	815	817

4 Employee information

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

By activity	2000 Number	1999 Number
Design, manufacturing and engineering	265	203
Administration	40	40
	305	243

Staff costs (for the above persons)	2000 US \$'000	1999 US \$'000
Wages and salaries	17,877	17,253
Social security costs	1,893	1,494
	19,770	18,747

5 Interest payable and similar charges

	2000 US \$'000	1999 US \$'000
Interest payable on bank loans and overdraft	1,423	1,451
Interest payable on finance leases	223	309
Other interest payable	304	42
	1,950	1,802

6 Loss on ordinary activities before taxation

	2000 US \$'000	1999 US \$'000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation for the year on tangible fixed assets:		
- owned assets	2,174	1,078
- leased assets	1,327	1,605
Auditors' remuneration:		
- audit services	34	32
- non-audit services	44	42
Loss on disposal of fixed assets	1,400	-
Hire of plant and machinery	1,243	1,935
Hire of other assets	8,318	4,737

7 Tax on loss on ordinary activities

The company has estimated taxation losses available to be carried forward of approximately US \$128 million (1999: US \$88 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 building US \$'000	Plant and machinery US \$'000	Fixtures and equipment US \$'000	Computer equipment US \$'000	Motor vehicles US \$'000	Total US \$'000
Cost						
At 1 December 1999	17,829	1,330	880	8,390	1,141	29,570
Additions	404	133	284	634	-	1,455
Transferred from group undertaking	-	-	16	72	-	88
Disposals	-	(1,126)	(367)	(90)	(1,091)	(2,674)
At 30 November 2000	18,233	337	813	9,006	50	28,439
Depreciation						
At 1 December 1999	333	338	159	2,437	130	3,397
Charge for the year	1,111	58	161	2,160	11	3,501
Disposals	-	(321)	(45)	-	(122)	(488)
At 30 November 2000	1,444	75	275	4,597	19	6,410
Net book value						
At 30 November 2000	16,789	262	538	4,409	31	22,029
Net book value						
At 30 November 1999	17,496	992	721	5,953	1,011	26,173

The net book value of assets held under finance leases and capitalised, included in computer equipment, amounted to US \$2,345,000 at 30 November 2000 (1999: US \$2,493,000).

9 Stocks

	2000 US \$'000	1999 US \$'000
Raw materials and components	2,225	3,120

10 Debtors

	2000 US \$'000	1999 US \$'000
Amounts falling due within one year		
Trade debtors	1,506	721
Other taxation	1,119	634
Other debtors	329	165
Prepayments and accrued income	1,366	6,011
	4,320	7,531

11 Cash on restricted deposit

The cash on restricted deposit of US \$2,426,000 (1999: US \$2,594,000) represents money held as security in respect of payments to be made on operating leases. In addition the company has given security to the lessor by way of fixed and floating charges over certain assets of the company.

12 Creditors – Amounts falling due within one year

	2000 US \$'000	1999 US \$'000
Bank loans and overdraft (secured see note 13)	8,414	16,099
Trade creditors	4,080	8,182
Amounts owed to group undertakings	-	572
Obligations under finance leases	1,232	1,305
Other taxation and social security	847	476
Other creditors	5,743	5,828
Accruals and deferred income	11,439	27,498
	31,755	59,960

13 Creditors – Amounts falling due after more than one year

	2000 US \$'000	1999 US \$'000
Bank loans and overdraft (secured)	3,047	6,143
Amounts owed to group undertakings	104,532	53,020
Obligations under finance leases	265	1,678
Other creditors	-	6,406
Deferred income	20,000	10,000
	127,844	77,247

Bank loans and overdraft

	2000 US \$'000	1999 US \$'000
Repayable as follows:		
In one year or less	8,414	16,099
Between one and two years	2,437	2,731
Between two and five years	610	3,412
	11,461	22,242

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

Obligations under finance leases

Future minimum payments under finance leases are as follows:

	2000 US \$'000	1999 US \$'000
In one year or less	1,232	1,305
Between two and five years	265	1,678
	1,497	2,983

14 Deferred taxation

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

	Amounts provided		Amount not recognised	
	2000 US \$'000	1999 US \$'000	2000 US \$'000	1999 US \$'000
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	-	-	(589)	94
Other	-	-	(3,300)	(3,345)
Losses	-	-	(38,374)	(26,331)
	-	-	(42,263)	(29,582)

15 Called-up share capital

	2000 US \$	1999 US \$
Authorised		
1,000 ordinary shares of £1 each	1,685	1,685
Allotted, called-up and fully paid		
111 ordinary shares of £1 each	187	187

16 Reserves

	Share premium account US\$'000	Profit and loss account (deficit) US\$'000
At 1 December 1999	84	(97,873)
Loss for the year	-	(29,561)
At 30 November 2000	84	(127,434)

17 Reconciliation of movement in shareholders' funds (deficit)

	2000 US \$'000	1999 US \$'000
Loss for the financial year	(29,561)	(67,773)
Opening shareholders' funds (deficit)	(97,789)	(30,016)
Closing shareholders' funds (deficit)	(127,350)	(97,789)

18 Financial commitments

At 30 November 2000 there were annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2000 US \$'000	Other 2000 US \$'000	Land and buildings 1999 US \$'000	Other 1999 US \$'000
Leases expiring within one year	-	8,188	-	-
Leases expiring between two and five years	-	748	-	8,915
	-	8,936	-	8,915

19 Contingent liabilities

The company has guaranteed the bank and other borrowings of fellow group undertakings which at 30 November 2000 amounted to US \$Nil (1999:US \$Nil).

20 Related party transactions

Name of connected parties	Description of relationship	Description of transactions	Value of transactions during the period US \$'000	Amounts owed by/(to) related parties at 30 November 2000 US \$'000
A J Reynard	Director	Purchase of goods from a group controlled by A J Reynard	3,842 (1999: 8,139)	(186) (1999: 654)
B.A.T (Westminster House) Limited and its subsidiary undertakings	Significant shareholder	Total sponsorship income including amounts paid in	38,913 (1999: 47,913)	Nil (1999: Nil)
		Purchases of goods/services and sales of goods/services	813 (1999: Nil)	458 (1999: Nil)

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 2000. 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.