

Registered Number 787446

British American Racing GP Limited  
Annual report  
for the year ended 30 November 1999



# **British American Racing GP Limited**

## **Annual report for the year ended 30 November 1999**

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## **Directors' report for the year ended 30 November 1999**

The directors present their report and the audited financial statements for the year ended 30 November 1999.

### **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 contract with Honda Motor Company to supply engines, additional sponsorship agreements which have been signed since the year end and the on-track performance of the team in the early part of the 2000 season, are positive indicators that future performance will improve.

### **Dividends**

*The directors do not recommend payment of a dividend.*

### **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 1999, all of whom have been directors for the whole of the year then ended, except where otherwise stated, are listed below:

R J Gorne  
C Pollock  
A J Reynard  
A Young (appointed 27 July 1999)

B R Johnson resigned as a director on 22 February 1999 and N A Wadey was appointed as a director on 22 February 1999 and resigned as a director on 27 July 1999. Subsequent to the year end, on 5 April 2000, R J Gorne resigned as a director of the company.

### **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, R J Gorne 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.

### **Year 2000**

*The year 2000 date change could have potentially caused problems in the functionality of software and in the operation of equipment controlled in microprocessors. To minimise this risk the company completed a programme to identify the main risk areas, and took the necessary actions required to mitigate the risk.*

The company has experienced no disruption or malfunction since the turn of the year with respect to this issue. The costs of these modifications were not significant and were written off as incurred.

## European Monetary Union (EMU)

The company was prepared for the introduction of the EMU with commercial and financial systems and processes 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 were 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.

## 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 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 1999 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

24th July 2000

**Profit and loss account for the year ended 30 November 1999**

	Note	1999 US\$'000	1998 US\$'000
Turnover	2	60,320	26,200
Administrative expenses		(126,460)	(55,190)
<b>Operating loss</b>		<b>(66,140)</b>	<b>(28,990)</b>
Bank interest receivable		169	127
Interest payable and similar charges	5	(1,802)	(25)
<b>Loss on ordinary activities before taxation</b>	2, 6	<b>(67,773)</b>	<b>(28,888)</b>
Tax on loss on ordinary activities	7	-	-
<b>Loss for the year</b>	16	<b>(67,773)</b>	<b>(28,888)</b>

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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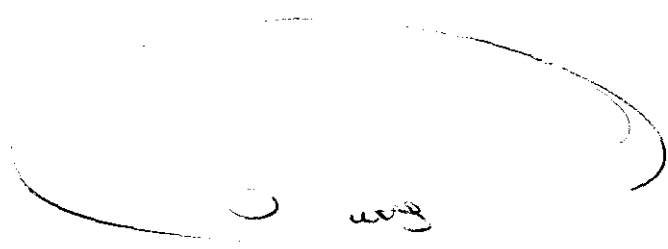
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## Balance sheet as at 30 November 1999

	Note	1999 US \$'000	1998 US \$'000
<b>Fixed Assets</b>			
Tangible assets	8	26,173	21,915
<b>Current assets</b>			
Stock	9	3,120	7,506
Debtors	10	7,531	12,472
Cash at bank and in hand		-	266
Cash on restricted deposit	11	2,594	745
		13,245	20,989
<b>Creditors – Amounts falling due within one year</b>	12	(59,960)	(45,636)
<b>Net current liabilities</b>		(46,715)	(24,647)
<b>Total assets less current liabilities</b>		(20,542)	(2,732)
<b>Creditors – Amounts falling due after more than one year</b>	13	(77,247)	(27,284)
<b>Net liabilities</b>		(97,789)	(30,016)
<b>Capital and reserves</b>			
Called-up share capital	15	0	0
Share premium account	16	84	84
Profit and loss account (deficit)	16	(97,873)	(30,100)
<b>Equity shareholders' deficit</b>	17	(97,789)	(30,016)

The financial statements on pages 4 to 15 were approved by the board of directors on 26<sup>th</sup> July 2000 and were signed on its behalf by:

C Pollock  
Director





**Notes to the financial statements  
for the year ended 30 November 1999****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 1999, the exchange rate to £ Sterling was 1.593.

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	2
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 group 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 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 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 (revised) '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

	1999 US \$'000	1998 US \$'000
Aggregate emoluments	1,416	-
Sums paid to third parties for directors' services	877	-

Emoluments payable to the highest paid director are as follows:	1999 US \$'000	1998 US \$'000
Aggregate emoluments	817	-

Emoluments were paid to this company's directors by British American Racing Limited in 1998 as directors of that company. British American Racing GP Limited acquired the trade of British American Racing Limited on 30 November 1998 and emoluments are now paid through British American Racing GP Limited as disclosed above.

### 4 Employee information

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

By activity	1999 Number	1998 Number
Design, manufacturing and engineering	203	94
Administration	40	16
	243	110

Staff costs (for the above persons)	1999 US \$'000	1998 US \$'000
Wages and salaries	17,253	8,315
Social security costs	1,494	805
Pension costs	-	179
	18,747	9,299

**5 Interest payable and similar charges**

	1999 US \$'000	1998 US \$'000
Interest payable on bank loans and overdraft	1,451	1
Interest payable on finance leases	309	-
Other interest payable	42	24
	1,802	25

**6 Loss on ordinary activities before taxation**

	1999 US \$'000	1998 US \$'000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation for the year on tangible fixed assets:		
- owned assets	1,078	399
- leased assets	1,605	-
Auditors' remuneration:		
- audit services	32	11
- non-audit services	42	-
Profit on sale of fixed assets	-	(1,000)
Hire of plant and machinery	1,935	194
Hire of other assets	4,737	155

**7 Tax on loss on ordinary activities**

The company has estimated taxation losses available to be carried forward of approximately US \$88 million (1998: 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 building US \$'000	Plant and machinery US \$'000	Fixtures and equipment US \$'000	Computer equipment US \$'000	Motor vehicles US \$'000	Total US \$'000
<b>Cost</b>						
At 1 December 1998	16,444	624	87	5,449	25	22,629
Additions	1,385	706	793	2,941	1,116	6,941
<b>At 30 November 1999</b>	<b>17,829</b>	<b>1,330</b>	<b>880</b>	<b>8,390</b>	<b>1,141</b>	<b>29,570</b>
<b>Depreciation</b>						
At 1 December 1998	95	83	47	489	-	714
Charge for the year	238	255	112	1,948	130	2,683
<b>At 30 November 1999</b>	<b>333</b>	<b>338</b>	<b>159</b>	<b>2,437</b>	<b>130</b>	<b>3,397</b>
<b>Net book value</b>						
<b>At 30 November 1999</b>	<b>17,496</b>	<b>992</b>	<b>721</b>	<b>5,953</b>	<b>1,011</b>	<b>26,173</b>
<b>Net book value</b>						
At 30 November 1998	16,349	541	40	4,960	25	21,915

The net book value of assets held under finance leases and capitalised, included in computer equipment, amounted to \$2,493,000 at 30 November 1999 (1998: £nil).

**9 Stocks**

	1999 US \$'000	1998 US \$'000
Other assets purchased for resale	-	7,333
Raw materials and components	3,120	173
	<b>3,120</b>	<b>7,506</b>

**10 Debtors**

	1999 US \$'000	1998 US \$'000
Trade debtors	721	829
Other taxation	634	2,876
Other debtors	165	19
Prepayments and accrued income	6,011	8,748
	<b>7,531</b>	<b>12,472</b>

**11 Cash on restricted deposit**

The cash on restricted deposit of US \$2,594,000 (1998: US \$745,000) 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**

	1999 US \$'000	1998 US \$'000
Bank loans and overdraft (secured see note 13)	16,099	9,982
Trade creditors	8,182	10,971
Amounts owed to group undertakings	572	1,244
Obligations under finance leases	1,305	-
Other taxation and social security	476	284
Other creditors	5,828	38
Accruals and deferred income	27,498	23,117
	<b>59,960</b>	<b>45,636</b>

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

	1999 US \$'000	1998 US \$'000
Bank loans and overdraft (secured)	6,143	9,198
Amounts owed to group undertakings	53,020	8,086
Obligations under finance leases	1,678	-
Other creditors	6,406	-
Deferred income	10,000	10,000
	77,247	27,284

**Bank loans and overdraft**

	1999 US \$'000	1998 US \$'000
<b>Repayable as follows:</b>		
In one year or less	16,099	9,982
Between one and two years	2,731	2,830
Between two and five years	3,412	6,368
	22,242	19,180

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:

	1999 US \$'000	1998 US \$'000
In one year or less	1,305	-
Between one and two years	1,380	-
Between two and five years	298	-
	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	
	1999 US \$'000	1998 US \$'000	1999 US \$'000	1998 US \$'000
<b>Tax effect of timing differences because of:</b>				
Excess of capital allowances over depreciation	-	-	94	300
Other	-	-	(3,345)	(140)
Losses	-	-	(26,331)	(9,500)
	-	-	(29,582)	(9,340)

**15 Called-up share capital**

	1999 US \$	1998 US \$
<b>Authorised</b>		
1,000 ordinary shares of £1 each	1,685	1,685
<b>Allotted, called-up and fully paid</b>		
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 1998	84	(30,100)
Loss for the year	-	(67,773)
<b>At 30 November 1999</b>	<b>84</b>	<b>(97,873)</b>



**17 Reconciliation of movement in shareholders' deficit**

	1999 US \$'000	1998 US \$'000
Loss for the financial year	(67,773)	(28,888)
Opening shareholders' deficit	(30,016)	(1,128)
Closing shareholders' deficit	(97,789)	(30,016)

**18 Financial commitments**

At 30 November 1999 there were annual commitments under non-cancellable operating leases as follows:

	Land and buildings 1999 US \$'000	Other 1999 US \$'000	Land and buildings 1998 US \$'000	Other 1998 US \$'000
Leases expiring between two and five years	-	8,915	-	950

**19 Contingent liabilities**

The company has guaranteed the bank and other borrowings of fellow group undertakings which at 30 November 1999 amounted to US \$Nil (1998: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 to related parties at 30 November 1999 US \$'000
A J Reynard	Director	Purchase of goods from a group controlled by A J Reynard	8,139 (1998: Nil)	654 (1998: 650)
B.A.T (Westminster House) Limited and its subsidiary undertakings	Significant shareholder	Total sponsorship income including amounts paid in advance	47,913 (1998: Nil)	- (1998: Nil)

Last year transactions with the above parties took place with British American Racing Limited. As explained in note 3, British American Racing GP Limited acquired the trade of British American Racing Limited on 30 November 1998. The balance at 30 November 1998 with A J Reynard was transferred as part of the acquisition.

**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 1999. 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.