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Company Registration No. 1297497 (England and Wales)

WILLIAMS GRAND PRIX ENGINEERING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2001

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WILLIAMS GRAND PRIX ENGINEERING LIMITED

COMPANY INFORMATION

Directors	F O G Williams Esq. P M Head Esq. D Mayall Esq.
Secretary	D Mayall Esq.
Company number	1297497
Registered office	Grove Wantage Oxfordshire OX12 0DQ
Auditors	Leigh Carr 72 New Cavendish Street London W1G 8AU
Business address	Grove Wantage Oxfordshire OX12 0DQ

WILLIAMS GRAND PRIX ENGINEERING LIMITED

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WILLIAMS GRAND PRIX ENGINEERING LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 NOVEMBER 2001

The directors present their report and financial statements for the year ended 30 November 2001.

Principal activities and review of the business

The principal activity of the company continued unchanged as that of running a Formula 1 Grand Prix racing team.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Results and dividends

The results for the year are set out on page 4.

An interim ordinary dividend was paid amounting to £1,400,000. The directors recommend payment of a final dividend amounting to £360,000.

Market value of land and buildings

In the opinion of the directors the market value of land and buildings is not materially different from the current net book value.

Future developments

The directors have great expectations for the ensuing Grand Prix season, especially with the introduction of the BMW engine.

Directors

The following directors have held office since 1 December 2000:

F O G Williams Esq.
P M Head Esq.
D Mayall Esq.

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	30 November 2001	**1 December 2000**
F O G Williams Esq.	70,000	70,000
P M Head Esq.	30,000	30,000
D Mayall Esq.	-	-

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Disabled persons

It is the company's policy to offer equal opportunity to all persons, including disabled persons, applying for vacancies having regard to their aptitudes and abilities in relation to the jobs for which they apply.

WILLIAMS GRAND PRIX ENGINEERING LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 NOVEMBER 2001

Taxation status

The company was a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:
- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

On average, trade creditors at the year end represented 76 (2000- 168) days' purchases.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Leigh Carr be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

On behalf of the board

D Mayall Esq.
Director
18 September 2002

WILLIAMS GRAND PRIX ENGINEERING LIMITED

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF WILLIAMS GRAND PRIX ENGINEERING LIMITED

We have audited the financial statements of Williams Grand Prix Engineering Limited on pages 4 to 15 for the year ended 30 November 2001. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 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 with the company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 30 November 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Leigh Carr

Chartered Accountants
Registered Auditor

18 September 2002

72 New Cavendish Street
London
W1G 8AU

WILLIAMS GRAND PRIX ENGINEERING LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 NOVEMBER 2001

	Notes	2001 £	2000 £
Turnover	2	85,327,268	66,050,730
Construction and racing costs		(57,645,898)	(45,094,965)
Administrative expenses		(17,867,651)	(10,434,101)
Other operating income		126,697	-
Operating profit	3	9,940,416	10,521,664
Other interest receivable and similar income	4	114,292	104,486
Interest payable and similar charges	5	(171,613)	(332,223)
Profit on ordinary activities before taxation		9,883,095	10,293,927
Tax on profit on ordinary activities	6	(3,452,476)	(1,860,808)
Profit on ordinary activities after taxation		6,430,619	8,433,119
Dividends	7	(1,760,000)	(1,330,000)
Retained profit for the year	15	4,670,619	7,103,119

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

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

WILLIAMS GRAND PRIX ENGINEERING LIMITED

BALANCE SHEET
AS AT 30 NOVEMBER 2001

	Notes	2001 £	2001 £	2000 £	2000 £
Fixed assets					
Tangible assets	8		35,754,020		39,600,388
Current assets					
Stocks	9	355,939		327,353	
Debtors	10	8,175,292		13,327,721	
Cash at bank and in hand		5,721,250		329,530	
		14,252,481		13,984,604	
Creditors: amounts falling due within one year	11	(12,398,479)		(20,655,337)	
Net current assets/(liabilities)			1,854,002		(6,670,733)
Total assets less current liabilities			37,608,022		32,929,655
Creditors: amounts falling due after more than one year	12		(7,748)		-
			37,600,274		32,929,655
Capital and reserves					
Called up share capital	14		100,000		100,000
Profit and loss account	15		37,500,274		32,829,655
Shareholders' funds - equity interests	16		37,600,274		32,929,655

The financial statements were approved by the Board on 18 September 2002

F O G Williams Esq.
Director

P M Head Esq.
Director

WILLIAMS GRAND PRIX ENGINEERING LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 NOVEMBER 2001

		2001 £		2000 £
Net cash inflow from operating activities		12,858,931		8,522,569
Returns on investments and servicing of finance				
Interest received	114,292		104,486	
Interest paid	(171,613)		(332,223)	
Net cash outflow for returns on investments and servicing of finance		(57,321)		(227,737)
Taxation		(2,906,574)		(330,000)
Capital expenditure				
Payments to acquire tangible assets	(1,652,371)		(22,600,045)	
Receipts from sales of tangible assets	107,951		12,031,284	
Net cash outflow for capital expenditure		(1,544,420)		(10,568,761)
Equity dividends paid		(2,200,000)		(1,230,000)
Net cash inflow/(outflow) before management of liquid resources and financing		6,150,616		(3,833,929)
Increase/(decrease) in cash in the year		6,150,616		(3,833,929)

WILLIAMS GRAND PRIX ENGINEERING LIMITED

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 NOVEMBER 2001

1	**Reconciliation of operating profit to net cash inflow from operating activities**	**2001**	**2000**
		£	**£**
	Operating profit	9,940,416	10,521,664
	Depreciation of tangible assets	3,434,139	3,192,188
	Loss/(profit) on disposal of tangible assets	1,956,649	(1,524,385)
	Increase in stocks	(28,586)	(18,291)
	Decrease/(increase) in debtors	1,749,647	(3,465,396)
	Decrease in creditors within one year	(4,193,334)	(183,211)
	Net cash inflow from operating activities	12,858,931	8,522,569

2	**Analysis of net debt**	**1 December 2000**	**Cash flow**	**Other non-cash changes**	**30 November 2001**
		£	**£**	**£**	**£**
	Net cash:				
	Cash at bank and in hand	329,530	5,391,720	-	5,721,250
	Bank overdrafts	(7,154,235)	772,455	-	(6,381,780)
	Finance leases	-	(13,559)	-	(13,559)
	Net debt	(6,824,705)	6,150,616	-	(674,089)

3	**Reconciliation of net cash flow to movement in net debt**	**2001**	**2000**
		£	**£**
	Increase/(decrease) in cash in the year	6,164,175	(3,833,929)
	Cash inflow from increase in debt and lease financing	(13,559)	-
	Movement in net debt in the year	6,150,616	(3,833,929)
	Opening net debt	(6,824,705)	(2,990,776)
	Closing net debt	(674,089)	(6,824,705)

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents the invoiced value of goods sold, sponsorship income, prize monies and bonuses as principal excluding value added tax and trade discounts.

1.4 Tangible fixed assets and depreciation

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

Windtunnel and R & D equipment	20% reducing balance
Aircraft	10% straight line
Plant and machinery	20% reducing balance
Fixtures, fittings & equipment	20% reducing balance
Vehicles and pit equipment	20% to 25% straight line

A nil depreciation rate is provided in respect of the freehold property, which is shown at cost.

The company has a policy and practice of regular maintenance and repair (the charges for which are recognised in the profit and loss account), such that the resulting high residual value of the freehold premises would render any depreciation charge immaterial.

However, during the current accounting period, one of the freehold properties was completely stripped, such that it suffered a fall in market value of £1,968,712 (which amount has been included in loss on disposal of fixed assets).

1.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.6 Stock

Stock is valued at the lower of cost and net realisable value.

Cost is determined on a first-in, first-out basis. Net realisable value is based on estimated selling price less further costs expected to be incurred to disposal.

1.7 Pensions

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

1 Accounting policies **(continued)**

1.8 Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange prevailing at the transaction date. All profits and losses on exchange are dealt with in the profit and loss account.

1.9 Research and development

The company is heavily committed to research and development activities so as to maintain its position as a world leader in Formula 1 racing. All expenditure on pure and applied research is written off to the profit and loss account as incurred.

2 Turnover

Turnover represents the invoiced value of sponsorship income, prize monies, goods sold and services rendered as principal excluding value added tax and trade discounts.

3 Operating profit	**2001**	**2000**
	£	**£**
Operating profit is stated after charging:		
Depreciation of tangible assets	3,434,139	3,192,188
Loss on disposal of tangible assets	1,956,649	-
Auditors' remuneration	40,000	37,500
and after crediting:		
Profit on disposal of tangible assets	-	(1,524,385)

4 Other interest receivable and similar income	**2001**	**2000**
	£	**£**
Bank interest	114,292	66,274
Other interest	-	38,212
	114,292	104,486

5 Interest payable	**2001**	**2000**
	£	**£**
On bank loans and overdrafts	166,567	332,223
Hire purchase interest	902	-
On overdue tax	4,144	-
	171,613	332,223

6 Taxation

	2001 £	2000 £
Domestic current year tax		
U.K. corporation tax	3,345,902	1,860,808
Adjustment for prior years	106,574	-
Current tax charge	3,452,476	1,860,808
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	9,883,095	10,293,927
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2000: 30.00%)	2,964,929	3,088,178
Effects of:		
Non deductible expenses	1,231,817	526,500
Depreciation	1,617,236	500,341
Capital allowances	(2,430,071)	(2,245,422)
Adjustments to previous periods	106,574	-
Other tax adjustments	(38,009)	(8,789)
	487,547	(1,227,370)
Current tax charge	3,452,476	1,860,808

7 Dividends

	2001 £	2000 £
Ordinary interim paid	1,400,000	530,000
Ordinary final proposed	360,000	800,000
	1,760,000	1,330,000

8 Tangible fixed assets

	Freehold property	Windtunnel, R & D equipment	Aircraft	Plant and machinery	Fixtures, fittings & equipment	Vehicles and pit equipment	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1 December 2000	15,628,651	2,195,211	17,272,688	8,715,555	3,081,031	2,946,753	49,839,889
Additions	1,037,833	-	-	253,349	298,807	62,382	1,652,371
Disposals	(1,968,712)	-	-	(289,614)	(13,643)	-	(2,271,969)
At 30 November 2001	14,697,772	2,195,211	17,272,688	8,679,290	3,366,195	3,009,135	49,220,291
Depreciation							
At 1 December 2000	-	1,291,409	367,721	4,755,535	1,985,150	1,839,686	10,239,501
On disposals	-	-	-	(198,919)	(8,450)	-	(207,369)
Charge for the year	-	180,760	1,727,269	824,535	278,938	422,637	3,434,139
At 30 November 2001	-	1,472,169	2,094,990	5,381,151	2,255,638	2,262,323	13,466,271
Net book value							
At 30 November 2001	14,697,772	723,042	15,177,698	3,298,139	1,110,557	746,812	35,754,020
At 30 November 2000	15,628,651	764,849	17,043,920	3,960,020	1,095,881	1,107,067	39,600,388

9 Stocks

	2001	2000
	£	£
Conference centre stocks	55,939	27,353
Racing spares and parts	300,000	300,000
	355,939	327,353

10 Debtors	2001 £	2000 £
Trade debtors	6,153,396	8,561,325
Corporation tax	-	2,560,639
ACT recoverable	-	842,143
Other debtors	854,109	511,981
Prepayments and accrued income	1,167,787	851,633
	8,175,292	13,327,721

11 Creditors: amounts falling due within one year	2001 £	2000 £
Bank loans and overdrafts	6,381,780	7,154,235
Net obligations under hire purchase contracts	5,811	-
Trade creditors	2,475,598	5,427,937
Corporation tax	(996,072)	1,793,530
Other taxes and social security costs	811,531	592,051
Other creditors	3,189,831	4,660,940
Accruals and deferred income	170,000	226,644
Proposed dividend	360,000	800,000
	12,398,479	20,655,337

12 Creditors: amounts falling due after more than one year	2001 £	2000 £
Net obligations under hire purchase contracts	7,748	-
Net obligations under hire purchase contracts		
Repayable within one year	5,811	-
Repayable between one and five years	7,748	-
	13,559	-
Included in liabilities falling due within one year	(5,811)	-
	7,748	-

13 Pension costs

Defined contribution

	2001 £	2000 £
Contributions payable by the company for the year	940,138	811,954

14 Share capital

	2001 £	2000 £
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	100,000	100,000

15 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 December 2000	32,829,655
Retained profit for the year	4,670,619
Balance at 30 November 2001	37,500,274

16 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the financial year	6,430,619	8,433,119
Dividends	(1,760,000)	(1,330,000)
Net addition to shareholders' funds	4,670,619	7,103,119
Opening shareholders' funds	32,929,655	25,826,536
Closing shareholders' funds	37,600,274	32,929,655

17 Capital commitments

	2001 £	2000 £
At 30 November 2001 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements	4,500,000	6,000,000

18 Directors' emoluments

	2001 £	2000 £
Emoluments for qualifying services	3,108,500	3,384,263
Company pension contributions to money purchase schemes	238,755	236,248
	3,347,255	3,620,511

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (2000- 3).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	1,760,000	2,012,000
Company pension contributions to money purchase schemes	105,000	105,000

19 Employees

Number of employees

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

	2001 Number	2000 Number
Management	19	18
Administrative	29	28
Research & production	390	310
Marketing	22	21
	460	377

Employment costs

	£	£
Wages and salaries	20,192,541	18,925,534
Social security costs	2,144,066	1,971,930
Other pension costs	940,138	811,954
	23,276,745	21,709,418

20 Control

The ultimate controlling party is F O G Williams Esq who is a director of the company and the controlling shareholder.