

Company Registration No. 1297497 (England and Wales)

WILLIAMS GRAND PRIX ENGINEERING LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 1999



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 W1M 8AU
Business address	Grove Wantage Oxfordshire OX12 0DQ

WILLIAMS GRAND PRIX ENGINEERING LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Notes to the cash flow statement	7
Notes to the financial statements	8 - 13

WILLIAMS GRAND PRIX ENGINEERING LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 NOVEMBER 1999

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

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 period are set out on page 4.

An interim ordinary dividend was paid amounting to £1,110,000. The directors recommend payment of a final dividend amounting to £700,000.

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.

Year 2000

We have identified the key risks to the business and have developed a plan to minimise their impact. We have considered not only our own systems but also those of our major suppliers and customers. Although no organisation can guarantee that no year 2000 problems will arise, we believe that, having identified and removed the major risks to the business in accordance with the plan we have developed, it will be possible to quickly resolve any such problems as may arise without significant additional costs.

Directors

The following directors have held office since 1 December 1998:

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 1999	1 December 1998
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.

WILLIAMS GRAND PRIX ENGINEERING LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30 NOVEMBER 1999

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.

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 62 (1998- 60) 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.

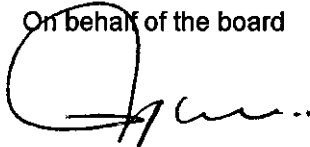
Directors' responsibilities

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

15 November 2000

WILLIAMS GRAND PRIX ENGINEERING LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDERS OF WILLIAMS GRAND PRIX ENGINEERING LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

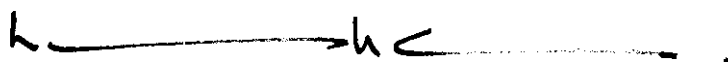
Basis of opinion

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 as at 30 November 1999 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Leigh Carr

15 November 2000

Chartered Accountants
Registered Auditor

72 New Cavendish Street
London
W1M 8AU

WILLIAMS GRAND PRIX ENGINEERING LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 NOVEMBER 1999

	Notes	1999 £	1998 £
Turnover	2	63,980,148	67,667,605
Racing car construction costs		(23,902,134)	(22,207,894)
		40,078,014	45,459,711
Racing expenses		(35,282,036)	(28,756,580)
Administrative expenses		(9,613,591)	(7,743,705)
Operating (loss)/profit	3	(4,817,613)	8,959,426
Other interest receivable and similar income	4	510,296	1,111,177
Interest payable and similar charges	5	(30,288)	(111,695)
(Loss)/profit on ordinary activities before taxation		(4,337,605)	9,958,908
Tax on (loss)/profit on ordinary activities	6	2,325,386	(2,209,150)
(Loss)/profit on ordinary activities after taxation		(2,012,219)	7,749,758
Dividends	7	(1,810,000)	(2,448,571)
Retained (loss)/profit for the period	14	(3,822,219)	5,301,187

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 1999

	Notes	1999 £	£	1998 £	£
Fixed assets					
Tangible assets	8	30,699,430		18,523,381	
Current assets					
Stocks	9	309,062		312,802	
Debtors	10	9,595,885		3,232,184	
Cash at bank and in hand		999,987		16,269,477	
		<u>10,904,934</u>		<u>19,814,463</u>	
Creditors: amounts falling due within one year	11	<u>(15,777,828)</u>		<u>(8,689,089)</u>	
Net current (liabilities)/assets		<u>(4,872,894)</u>		<u>11,125,374</u>	
Total assets less current liabilities		<u>25,826,536</u>		<u>29,648,755</u>	
Capital and reserves					
Called up share capital	13	100,000		100,000	
Profit and loss account	14	25,726,536		29,548,755	
Shareholders' funds - equity interests	15	<u>25,826,536</u>		<u>29,648,755</u>	

The financial statements were approved by the Board on 15 November 2000

F O G Williams Esq.
Director



P M Head Esq.
Director



WILLIAMS GRAND PRIX ENGINEERING LIMITED

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 NOVEMBER 1999

	1999 £	1998 £
Net cash (outflow)/inflow from operating activities	(515,961)	7,087,953
Returns on investments and servicing of finance		
Interest received	510,296	1,111,177
Interest paid	(30,288)	(111,695)
Net cash inflow for returns on investments and servicing of finance	480,008	999,482
Taxation	(2,882,773)	(3,426,331)
Capital expenditure		
Payments to acquire tangible assets	(13,648,998)	(5,849,747)
Receipts from sales of tangible assets	47,593	3,233,607
Net cash inflow/(outflow) for capital expenditure	(13,601,405)	(2,616,140)
Equity dividends paid	(1,110,000)	(3,008,571)
Net cash outflow before management of liquid resources and financing	(17,630,131)	(963,607)
Decrease in cash in the period	(17,630,131)	(963,607)

WILLIAMS GRAND PRIX ENGINEERING LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 NOVEMBER 1999

1	Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities	1999	1998
		£	£
	Operating (loss)/profit	(4,817,613)	8,959,426
	Depreciation of tangible assets	1,421,903	1,377,396
	Loss/(profit) on disposal of tangible assets	3,452	(812,663)
	Decrease in stocks	3,740	3,694
	Increase in debtors	(3,290,919)	(1,025,894)
	Increase/(decrease) in creditors within one year	6,163,476	(1,414,006)
	Net cash (outflow)/inflow from operating activities	(515,961)	7,087,953

2	Analysis of net (debt)/funds	1 December 1998	Cash flow	Other non-cash changes	30 November 1999
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	16,269,477	(15,269,490)	-	999,987
	Bank overdrafts	(1,630,122)	(2,360,641)	-	(3,990,763)
	Net funds/(debt)	14,639,355	(17,630,131)	-	(2,990,776)

3	Reconciliation of net cash flow to movement in net (debt)/funds	1999	1998
		£	£
	Decrease in cash in the period	(17,630,131)	(963,607)
	Cash inflow from increase in debt	-	-
	Movement in net (debt)/funds in the period	(17,630,131)	(963,607)
	Opening net funds	14,639,355	15,602,962
	Closing net (debt)/funds	(2,990,776)	14,639,355

WILLIAMS GRAND PRIX ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 NOVEMBER 1999

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.

1.5 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.

1.6 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.

1.7 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.

1.8 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.

WILLIAMS GRAND PRIX ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 NOVEMBER 1999

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 (loss)/profit

	1999 £	1998 £
--	-----------	-----------

Operating (loss)/profit is stated after charging:

Depreciation of tangible assets	1,421,903	1,377,396
Auditors' remuneration	35,000	35,000

4 Other interest receivable and similar income

	1999 £	1998 £
--	-----------	-----------

Bank interest	363,079	1,111,177
Other interest	147,217	-
	<u>510,296</u>	<u>1,111,177</u>

5 Interest payable

	1999 £	1998 £
--	-----------	-----------

On bank loans and overdrafts	29,947	101,462
On overdue tax	341	10,233
	<u>30,288</u>	<u>111,695</u>

6 Taxation

	1999 £	1998 £
--	-----------	-----------

U.K. current year taxation

U.K. corporation tax at 30% (1998- 31%)	-	2,779,703
---	---	-----------

Prior years

U.K. corporation tax	(2,325,386)	(570,553)
	<u>(2,325,386)</u>	<u>2,209,150</u>

No taxation has been provided in these financial statements due to the availability of tax losses.

7 Dividends

	1999 £	1998 £
--	-----------	-----------

Ordinary interim paid	1,110,000	2,448,571
Ordinary final proposed	700,000	-
	<u>1,810,000</u>	<u>2,448,571</u>

WILLIAMS GRAND PRIX ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 NOVEMBER 1999

8 Tangible fixed assets

	Freehold property	Windtunnel, R & D equipment	Aircraft	Plant and machinery	Fixtures, fittings & equipment	Vehicles and pit equipment	Total
	£	£	£	£	£	£	£
Cost							
At 1 December 1998	12,999,236	1,140,758	1,123,182	6,287,263	2,281,808	1,876,960	25,709,207
Additions	527,826	1,080,198	11,440,723	309,230	257,786	33,235	13,648,998
Disposals	-	(25,744)	-	(33,162)	-	(27,800)	(86,706)
At 30 November 1999	13,527,062	2,195,212	12,563,905	6,563,331	2,539,594	1,882,395	39,271,499
Depreciation							
At 1 December 1998	-	783,021	143,084	3,409,201	1,504,077	1,346,443	7,185,826
On disposals	-	-	-	(28,711)	-	(6,950)	(35,661)
Charge for the year	-	282,438	112,318	636,569	207,103	183,476	1,421,904
At 30 November 1999	-	1,065,459	255,402	4,017,059	1,711,180	1,522,969	8,572,069
Net book value							
At 30 November 1999	13,527,062	1,129,753	12,308,503	2,546,272	828,414	359,426	30,699,430
At 30 November 1998	12,999,236	357,737	980,098	2,878,062	777,731	530,517	18,523,381

9 Stocks

	1999 £	1998 £
Conference centre stocks	9,062	12,802
Racing spares and parts	300,000	300,000
	<u>309,062</u>	<u>312,802</u>

WILLIAMS GRAND PRIX ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 NOVEMBER 1999

10 Debtors	1999 £	1998 £
Trade debtors	2,943,532	938,422
VAT refund due	535,727	227,993
Corporation tax	2,294,199	63,560
ACT recoverable	842,143	-
Other debtors	7,797	24,787
Amounts owed by other related undertakings	-	401,130
Prepayments and accrued income	2,972,487	1,576,292
	<u>9,595,885</u>	<u>3,232,184</u>

11 Creditors: amounts falling due within one year	1999 £	1998 £
Bank loans and overdrafts	3,990,763	1,630,122
Trade creditors	4,044,373	3,667,909
Corporation tax	-	1,935,377
Advance corporation tax	-	200,000
Other taxes and social security costs	700,395	648,860
Other creditors	6,001,100	474,453
Amounts due to related undertakings	105,178	83,831
Accruals and deferred income	236,019	48,537
Proposed dividend	700,000	-
	<u>15,777,828</u>	<u>8,689,089</u>

12 Pension costs

The company operates a defined contribution pension scheme for both the directors and the staff. The assets of the scheme are held separately from those of the company in an independently administered fund.

13 Share capital	1999 £	1998 £
Authorised		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

WILLIAMS GRAND PRIX ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 NOVEMBER 1999

14 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 December 1998	29,548,755
Retained loss for the period	(3,822,219)
	<hr/>
Balance at 30 November 1999	25,726,536
	<hr/>

15 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
(Loss)/Profit for the financial period	(2,012,219)	7,749,758
Dividends	(1,810,000)	(2,448,571)
	<hr/>	<hr/>
Net (depletion in)/addition to shareholders' funds	(3,822,219)	5,301,187
Opening shareholders' funds	29,648,755	24,347,568
	<hr/>	<hr/>
Closing shareholders' funds	25,826,536	29,648,755
	<hr/>	<hr/>

16 Capital commitments

	1999 £	1998 £
At 30 November 1999 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements	2,936,091	1,200,394
	<hr/>	<hr/>

17 Directors' emoluments

	1999 £	1998 £
Emoluments for qualifying services	2,868,390	2,665,420
Company pension contributions to money purchase schemes	235,200	235,200
	<hr/>	<hr/>
	3,103,590	2,900,620
	<hr/>	<hr/>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (1998- 3).

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

Emoluments for qualifying services	1,584,000	2,039,286
Company pension contributions to money purchase schemes	105,000	105,000
	<hr/>	<hr/>

WILLIAMS GRAND PRIX ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 NOVEMBER 1999

18 Employees

Number of employees

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

	1999 Number	1998 Number
Management	17	18
Administrative	24	15
Production	301	245
Marketing	14	12
	<u>356</u>	<u>290</u>

Employment costs

	£	£
Wages and salaries	15,923,429	12,643,108
Social security costs	1,646,036	1,227,428
Other pension costs	734,027	637,447
	<u>18,303,492</u>	<u>14,507,983</u>

19 Control

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

20 Related party transactions

During the year the company provided research, development and technical facilities to Williams Touring Car Engineering Limited (WTCE) with a sales value of £300,000 and supplied materials in the sum of £142,888. The company was also in receipt of rechargeable services supplied by WTCE in the sum of £331,765. There was no amount outstanding at the balance sheet date in respect of these transactions.

The company also supplied rechargeable services to Williams Motorsport Limited in the sum of £121,372, of which £21,347 was outstanding at 30 November 1999.

Both the above companies are related by virtue of common directorship. All of the above transactions were made at arm's length.

There is also a cross guarantee in respect of bank overdrafts between Williams Grand Prix Engineering Limited, Williams Touring Car Engineering Limited and Williams Motorsport Limited.

21 Post balance sheet events

Following the end of the financial period, the company acquired a replacement aircraft at a cost of US\$24.9million, the previous aircraft having been sold for US\$ 18.5million.