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Company Number

1297497

WILLIAMS GRAND PRIX ENGINEERING LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 1997



WILLIAMS GRAND PRIX ENGINEERING LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 1997

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WILLIAMS GRAND PRIX ENGINEERING LIMITED

COMPANY INFORMATION

COMPANY NUMBER : 1297497

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

SECRETARY : D. Mayall Esq.

REGISTERED OFFICE : 72 New Cavendish Street
London W1M 8AU

BUSINESS ADDRESS : Grove
Wantage
Oxfordshire
OX12 0DQ

WILLIAMS GRAND PRIX ENGINEERING LIMITED

REPORT OF THE DIRECTORS

FINANCIAL STATEMENTS

The directors present their report and financial statements for the year ended 30 November 1997.

The directors are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for that period. In preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements have been made. The directors are also responsible for maintaining adequate accounting records, for safeguarding the assets of the company, and for preventing and detecting fraud and other irregularities. The directors are satisfied that the business is a going concern.

PRINCIPAL ACTIVITY

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

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The state of the company's affairs and the results for the year are shown by the attached financial statements.

The directors expect that the present level of activity will be sustained for the foreseeable future.

DIVIDENDS AND RESERVES

An interim dividend of £12.22 (1996: £8.56) per ordinary share amounting to £1,222,000 (1996: £856,000) was paid during the year.

The directors recommend a final dividend of £5.60 (1996: £1.44) per ordinary share amounting to £560,000 (1996: £144,000).

The profit for the year, after dividends, amounting to £3,934,045 has been carried to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interests, including their family interests, in the shares of the company, according to the register required to be kept by Section 325 of the Companies Act 1985, were as follows:

	<u>Ordinary shares</u> <u>of £1 each</u>	
	<u>As at 30.11.97</u>	<u>As at 1.12.96</u>
F.O.G. Williams Esq.	70,000	70,000
P.M. Head Esq.	30,000	30,000
D. Mayall Esq.	NIL	NIL

WILLIAMS GRAND PRIX ENGINEERING LIMITED

REPORT OF THE DIRECTORS

FIXED ASSETS

The changes in fixed assets are shown in the notes to the financial statements.

The directors consider that the market value of the freehold property is at least equal to its current net book value of £10,131,167.

CHARITABLE DONATIONS

The company made charitable donations amounting to £31,710.

EMPLOYMENT POLICY

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.

CLOSE COMPANY PROVISIONS

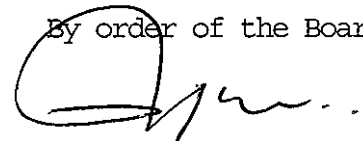
So far as the directors are aware the company was, at the end of the accounting period, a close company within the meaning of the Income and Corporation Taxes Act 1988.

AUDITORS

A resolution for the re-appointment of Messrs. Leigh Carr, Chartered Accountants, as auditors of the company is to be proposed at the Annual General Meeting.

14th October 1998

By order of the Board



D. Mayall Esq.
Secretary

WILLIAMS GRAND PRIX ENGINEERING LIMITED

AUDITORS REPORT TO THE MEMBERS OF WILLIAMS GRAND PRIX ENGINEERING LIMITED

We have audited the financial statements on pages 5 to 16 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 the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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.

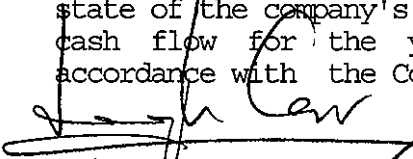
An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting 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 1997 and of its profit and cash flow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Leigh Carr
Chartered Accountants
Registered Auditor
72 New Cavendish Street
London W1M 8AU

14th October 1998

WILLIAMS GRAND PRIX ENGINEERING LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 NOVEMBER 1997

	1997 £	1996 £
<u>Note</u>		
2. Turnover	53,449,715	44,291,091
Direct costs	(35,321,246)	(30,316,235)
Profit before net operating expenses	18,128,469	13,974,856
3. Net operating expenses	(9,661,877)	(4,464,467)
4. Operating profit	8,466,592	9,510,389
7. Dividends received	373,070	-
8. Interest payable and similar charges	(23,137)	(83,775)
Profit on ordinary activities before taxation	8,816,525	9,426,614
9. Tax on profit on ordinary activities	(3,100,480)	(2,343,393)
Profit for the year after taxation	5,716,045	7,083,221
10. Dividends	(1,782,000)	(1,000,000)
Retained profit for the year	3,934,045	6,083,221
Retained profit brought forward	20,313,523	14,230,302
Retained profit	<u>£24,247,568</u>	<u>£20,313,523</u>

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

Total recognised gains or losses

The company has no recognised gains or losses other than the profit for the above two financial years.

WILLIAMS GRAND PRIX ENGINEERING LIMITED

BALANCE SHEET AS AT 30 NOVEMBER 1997

<u>Note</u>	1997		1996	
	£	£	£	£
FIXED ASSETS				
11. Tangible assets		16,471,975		24,607,627
CURRENT ASSETS				
12. Stock	316,496		162,507	
13. Debtors	2,310,934		2,462,849	
Cash at bank and in hand	20,988,257		4,636,353	
	<u>23,615,687</u>		<u>7,261,709</u>	
CREDITORS				
14. Amounts falling due within one year	15,740,094		11,455,813	
NET CURRENT ASSETS/(LIABILITIES)		<u>7,875,593</u>		<u>(4,194,104)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£24,347,568</u>		<u>£20,413,523</u>
Financed by:				
CAPITAL AND RESERVES				
15. Called up share capital		100,000		100,000
Profit and loss account		24,247,568		20,313,523
		<u>£24,347,568</u>		<u>£20,413,523</u>

The financial statements were approved by the board on 14th October 1998.

F.O.G. Williams Esq.

) Directors

P.M. Head Esq.

WILLIAMS GRAND PRIX ENGINEERING LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 NOVEMBER 1997

	1997		1996	
	£	£	£	£
Net cash inflow from operating activities (note 20)		12,905,989		8,172,687
Returns on investments and servicing of finance				
Interest received	519,387		121,300	
Interest paid	(23,137)		(83,775)	
Dividends paid	(1,366,000)		(1,196,000)	
Dividends received	298,456		-	
Net cash outflow from returns on investments and servicing of finance		(571,294)		(1,158,475)
Taxation				
UK Corporation tax paid including ACT		(1,812,131)		(2,184,841)
UK Corporation tax repaid		-		1,734
Investing activities				
Payments to acquire tangible fixed assets	(4,071,604)		(17,326,080)	
Receipts from sales of tangible fixed assets	10,404,069		13,457,792	
Net cash inflow/(outflow) from investing activities		6,332,465		(3,868,288)
Net cash (outflow)/inflow before financing		16,855,029		962,817
Increase in cash and cash equivalents		16,855,029		962,817
		16,855,029		962,817

WILLIAMS GRAND PRIX ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 1997

1. ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Tangible fixed assets

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:-

Plant & machinery	20%	reducing balance
Fixtures & fittings	20%	reducing balance
Motor vehicles	25%	straight line
Computer and office equipment	20%	reducing balance
Pit equipment	20%	reducing balance
Windtunnel and R & D equipment	20%	reducing balance

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

(c) Stock

Stock is stated 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.

(d) Pension fund

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.

(e) Deferred taxation

Deferred taxation is provided on the liability method on all short term timing differences and all other material differences at the current rate of tax, unless there is reasonable probability that such a liability will not arise in the foreseeable future.

WILLIAMS GRAND PRIX ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 1997

(f) Foreign currencies

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.

(g) 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 One 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 goods sold, sponsorship income, prize monies and bonuses as principal excluding value added tax and trade discounts.

	1997 £	1996 £
3. NET OPERATING EXPENSES		
Administrative expenses	10,181,264	4,585,767
Other operating income:-		
Interest receivable	(519,387)	(121,300)
	<u>9,661,877</u>	<u>4,464,467</u>

	1997 £	1996 £
4. OPERATING PROFIT		
Operating profit is stated after charging:		
Auditors remuneration	32,500	25,000
Directors' emoluments	1,491,810	1,261,761
Depreciation	1,332,929	1,817,761
Research and development	<u>1,511,392</u>	<u>1,351,662</u>

WILLIAMS GRAND PRIX ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 1997

	1997 £	1996 £
5. DIRECTORS EMOLUMENTS		
Remuneration	1,245,163	1,047,312
Contributions to money purchase schemes	246,647	214,449
	<u>1,491,810</u>	<u>1,261,761</u>
Number of directors to whom benefits are accruing under money purchase schemes	3	3
<u>Highest paid director's emoluments</u>		
Remuneration	929,565	794,373
Contributions to money purchase schemes	105,000	105,000
	<u>1,034,565</u>	<u>899,373</u>

	1997 £	1996 £
6. STAFF COSTS		
Staff costs, including those for directors, during the year amounted to:-		
Wages and salaries	11,038,660	10,581,964
Social security costs	1,060,803	959,984
Other pension costs	919,169	703,237
	<u>13,018,632</u>	<u>12,245,185</u>

The average number of persons employed by the company, including directors, during the year was:-

	Number	Number
Category		
Management	17	16
Administrative	12	11
Production	237	217
Sponsorship	10	8
	<u>276</u>	<u>252</u>

	1997 £	1996 £
7. INCOME FROM DISTRIBUTION		
Dividends received	<u>373,070</u>	<u>-</u>

WILLIAMS GRAND PRIX ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 1997

	1997 £	1996 £
8. INTEREST PAYABLE AND SIMILAR CHARGES		
Repayable within 5 years, not by instalments	22,537	82,889
Interest on tax	600	886
	<u>23,137</u>	<u>83,775</u>

	1997 £	1996 £
9. TAX ON PROFIT ON ORDINARY ACTIVITIES		
Corporation tax on profit for the year at 33% (1996 : 33%)	3,007,886	2,382,754
Tax credits attributable to dividends received	74,614	-
Under/(over) provision of tax in earlier years	17,980	(39,361)
	<u>3,100,480</u>	<u>2,343,393</u>

	1997 £	1996 £
10. DIVIDENDS		
Interim paid	1,222,000	856,000
Final proposed	560,000	144,000
	<u>1,782,000</u>	<u>1,000,000</u>

WILLIAMS GRAND PRIX ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 1997

11. TANGIBLE FIXED ASSETS

COST	As at 1.12.96 £	Additions £	(Disposals) £	As at 30.11.97 £
Freehold property	14,203,997	447,972	(4,520,802)	10,131,167
Plant & machinery	4,305,031	777,362	(150,845)	4,931,548
Fixtures & fittings	1,138,249	53,677	-	1,191,926
Motor vehicles	875,294	199,662	(12,443)	1,062,513
Aircraft	6,347,304	-	(6,347,304)	-
Pit equipment	274,144	51,814	-	325,958
Windtunnel, R & D equipment	947,774	84,013	-	1,031,787
Helicopters	766,715	2,416,650	-	3,183,365
Computer equipment	228,791	-	-	228,791
Office equipment	632,067	40,454	-	672,521
	<u>29,719,366</u>	<u>4,071,604</u>	<u>(11,031,394)</u>	<u>22,759,576</u>

DEPRECIATION	As at 1.12.96 £	Provided in the year £	(Disposals) £	As at 30.11.97 £
Plant & machinery	2,514,162	513,646	(150,845)	2,876,963
Fixtures & fittings	590,425	120,300	-	710,725
Motor vehicles	537,344	197,172	(6,222)	728,294
Pit equipment	183,683	28,455	-	212,138
Windtunnel, R & D equipment	606,058	87,529	-	693,587
Helicopters	153,342	310,957	-	464,299
Computer equipment	168,307	12,049	-	180,356
Office equipment	358,418	62,821	-	421,239
	<u>5,111,739</u>	<u>1,332,929</u>	<u>(157,067)</u>	<u>6,287,601</u>

NET BOOK VALUES	As at 30.11.97 £	As at 30.11.96 £
Freehold property	10,131,167	14,203,997
Plant & machinery	2,054,585	1,790,869
Fixtures & fittings	481,201	547,824
Motor vehicles	334,219	337,950
Aircraft	-	6,347,304
Pit equipment	113,820	90,461
Windtunnel, R & D equipment	338,200	341,716
Helicopters	2,719,066	613,373
Computer equipment	48,435	60,484
Office equipment	251,282	273,649
	<u>16,471,975</u>	<u>24,607,627</u>

WILLIAMS GRAND PRIX ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 1997

	1997 £	1996 £
12. STOCK		
Racing spares and parts	300,000	150,000
Conference centre stocks	16,496	12,507
	<u>316,496</u>	<u>162,507</u>

	1997 £	1996 £
13. DEBTORS		
Trade debtors	518,938	1,969,172
Amounts owed by other related undertakings	620,904	7,271
Corporation tax recoverable	168,204	64,204
Other debtors	19,762	315,626
Prepayments	983,126	106,576
	<u>2,310,934</u>	<u>2,462,849</u>

	1997 £	1996 £
14. CREDITORS		
Amounts falling due within one year:		
Bank overdraft	5,385,295	5,888,420
Amounts due to other related undertakings	83,831	2,990
Trade creditors	2,020,376	1,691,108
Current corporation tax	3,317,202	2,103,467
Other taxes and social security	622,048	652,086
Other creditors	3,578,841	854,386
Proposed dividend	560,000	144,000
Advance corporation tax	140,000	36,000
Accruals	32,501	83,356
	<u>15,740,094</u>	<u>11,455,813</u>

WILLIAMS GRAND PRIX ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 1997

	1997 £	1996 £
15. SHARE CAPITAL		
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>

	1997 £	1996 £
16. CAPITAL COMMITMENTS		
Commitments for capital expenditure not provided for were as follows:-		
Contracts placed	<u>4,150,000</u>	<u>510,000</u>

17. PENSION COMMITMENTS

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.

18. RELATED PARTY TRANSACTIONS

During the year, the company provided research, development and technical facilities to Williams Touring Car Engineering Limited with a sales value of £648,848. The amount outstanding at the balance sheet date in respect of these transactions was £265,543. The company also supplied rechargeable services to Williams Motorsport Limited in the sum of £1,343,880, of which £340,813 was outstanding at 30 November 1997. All of the above transactions were made at arm's length. The company is also guarantor for the bank overdraft of Williams Touring Car Engineering Limited.

WILLIAMS GRAND PRIX ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 1997

	1997 £	1996 £
19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS		
Profit for the year	5,716,045	7,083,221
Dividends	(1,782,000)	(1,000,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	3,934,045	6,083,221
Opening shareholders' funds	20,413,523	14,330,302
	<hr/>	<hr/>
Closing shareholders' funds	24,347,568	20,413,523
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	1997 £	1996 £
20. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		
Operating profit	8,466,592	9,510,389
Depreciation charges	1,332,929	1,817,761
Interest receivable	(519,387)	(121,300)
Loss/(profit) on sale of fixed assets	470,258	(2,900,542)
Decrease in debtors	255,915	474,970
Increase/(decrease) in creditors	3,053,671	(617,510)
Increase/(decrease) in stock	(153,989)	8,919
	<hr/>	<hr/>
Net cash inflow from operating activities	12,905,989	8,172,687
	<hr/>	<hr/>

	1997 £	1996 £
21. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		
Increase in cash in the period	17,358,154	2,260,248
Net cash inflow from increase in debt	(503,125)	(1,297,431)
	<hr/>	<hr/>
Increase in net debt in the year	16,855,029	962,817
Net debt at 1 December 1996	(1,252,067)	(2,214,884)
	<hr/>	<hr/>
Net funds/(debt) at 30 November 1997	15,602,962	(1,252,067)
	<hr/>	<hr/>

WILLIAMS GRAND PRIX ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 1997

	As at 1.12.96 £	Cash flow £	As at 30.11.97 £
22. ANALYSIS OF DEBT			
Cash	4,636,353	16,351,904	20,988,257
Overdrafts	(5,888,420)	503,125	(5,385,295)
Debt due after more than one year	-	-	-
Net funds/(debt)	<u>(1,252,067)</u>	<u>16,855,029</u>	<u>15,602,962</u>