

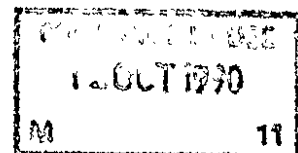
BENETTON FORMULA LIMITED

THE BENETTON FORMULA LIMITED

ACCOUNTS -- 31 DECEMBER 1989

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

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BENETTON FORMULA LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1989

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report for the year ended 31 December 1989.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company continues to be that of running a Formula One Grand Prix racing team.

Turnover during the year, comprising principally sponsorship income, amounted to £10,685,243 (1988 - £8,921,592) and the profit before taxation for the financial year was £40,249 (1988 - £237,563).

The company's major source of income is sponsorship. Benetton International N.V. has agreed to provide financial support to the company under an agreement which ends on 31 December 1990.

DIRECTORS AND THEIR INTERESTS

The following served as directors during the year-

A. Benetton	(Italian)	- Appointed 1 September 1989
F. Briatore	(Italian)	- Appointed 1 September 1989
D.M.D. Mills		
P. Panizzo	(Italian)	
D. Paolini	(Italian)	- Resigned 1 September 1989 (Chairman)
R.F. Byrne	(Irish)	
P.T. Collins	(Australian)	- Resigned 21 May 1990
J. Barnard		- Appointed 1 November 1989

No director had any beneficial interest in the company during the year which is required to be disclosed by Schedule 7(2) of the Companies Act 1985.

RESULTS AND DIVIDENDS

	£
Accumulated deficit brought forward	(509,929)
Loss for the financial year	(36,182)

Accumulated deficit carried forward	(546,111)
	=====

The directors do not recommend the payment of a dividend.

DIRECTORS' REPORT (Continued)

FIXED ASSETS

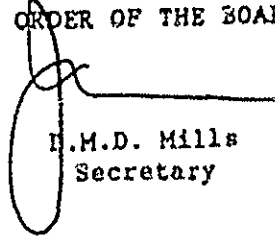
Information relating to changes in fixed assets is given in Note 7 to the accounts.

AUDITORS

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen & Co. as auditors for the ensuing year.

2nd Floor
76 Shoe Lane
London
EC4A 3BQ

BY ORDER OF THE BOARD,



H.M.D. Mills
Secretary

10 August 1990

ARTHUR ANDERSEN & Co.

ADDON'S HOUSE - ABBEY STREET
READING RG1 3HD

To the members of BENETTON FORMULA LIMITED:

We have audited the accounts on pages 4 to 14 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1989 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Arthur Andersen', is written in a cursive style.

10 August 1990

BENETTON FORMULA LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1989

		<u>1989</u>	<u>1988</u>
	<u>Notes</u>		
TURNOVER	1b	£10,688,243	£ 8,921,592
Operating expenses (net)		(10,571,277)	(8,787,379)
OPERATING PROFIT		116,966	134,213
Investment income	2	23,591	112,957
Interest payable and similar charges	3	(100,308)	(9,607)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	40,249	237,563
Tax on profit on ordinary activities	6	(76,431)	(112,033)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(36,182)	125,530
ACCUMULATED DEFICIT, beginning of year		(509,929)	(635,459)
ACCUMULATED DEFICIT, end of year		£ (546,111)	£ (509,929)

The accompanying notes are an integral part of this profit and loss account.

BENETTON FORMULA LIMITED

BALANCE SHEET -- 31 DECEMBER 1989

	<u>Notes</u>	<u>1989</u>	<u>1988</u>
FIXED ASSETS			
Tangible assets	7	£ 933,175	£ 934,248
		-----	-----
CURRENT ASSETS			
Stocks	8	921,546	229,236
Debtors	9	2,114,320	830,707
Cash at bank and in hand		141,176	588,239
		-----	-----
		3,177,042	1,648,182
CREDITORS: Amounts falling due within one year	10	(3,622,502)	(2,006,102)
		-----	-----
NET CURRENT LIABILITIES		(445,460)	(357,920)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		487,715	576,328
CREDITORS: Amounts falling due after more than one year	11	(96,164)	(111,224)
PROVISION FOR LIABILITIES AND CHARGES	12	(37,662)	(75,033)
		-----	-----
NET ASSETS		£ 353,889	£ 390,071
		-----	-----
CAPITAL AND RESERVES			
Called-up share capital	13	£ 900,000	£ 900,000
Profit and loss account		(546,111)	(509,929)
		-----	-----
TOTAL CAPITAL EMPLOYED		£ 353,889	£ 390,071
		-----	-----

SIGNED ON BEHALF OF THE BOARD ON 10 AUGUST 1990

D.M.D. Mills)
) Directors
 F. Briatore)




The accompanying notes are an integral part of this balance sheet.

BENETTON FORMULA LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1989

SOURCE OF FUNDS	1989	1988
(Loss)/Profit on ordinary activities after taxation	£ (36,182)	£ 125,530
Add items not involving the movement of funds		
- depreciation	281,305	199,726
- loss/(profit) on disposal of tangible fixed assets	6,027	(4,380)
- (decrease)/increase in deferred taxation	(37,371)	75,033
Total funds from operations	213,779	395,909
Funds from other sources:		
Increase in creditors due after more than one year	-	111,224
Proceeds from disposal of tangible fixed assets	3,000	14,949
Increase in net current liabilities, as shown below	87,540	72,605
	£ 304,319	£ 594,687
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	£ 289,259	£ 594,687
Decrease in creditors due after more than one year	15,060	-
	£ 304,319	£ 594,687
(INCREASE)/DECREASE IN NET CURRENT LIABILITIES		
Stocks	£ 692,310	£ 229,236
Debtors	1,283,613	140,468
Creditors: due within one year (excluding bank loans and overdraft)	(803,684)	1,375,653
Movement in net liquid funds	1,172,239	1,745,357
- cash at bank and in hand	(447,063)	(1,229,197)
- bank loans and overdraft	(812,716)	(588,765)
	£ (87,540)	£ (72,605)

The accompanying notes are an integral part of this statement.

BENETTON FORMULA LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1989

1. ACCOUNTING POLICIES

The principal accounting policies are-

a) Basis of accounting

The accounts are prepared under the historical cost convention and on the going-concern basis. Benetton International N.V. has agreed to provide financial support to the company under an agreement which ends on 31 December 1990.

b) Turnover

Turnover principally comprises sponsorship income and prize money. Sponsorship receipts are credited to profit and loss over the period of the sponsorship agreements. Prize money is credited to profit and loss as it is won.

c) Tangible fixed assets

Fixed assets are stated at original historical cost.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows-

Leasehold buildings	-	10 years
Motor vehicles	-	4 years
Furniture and fittings	-	4 years
Plant and machinery	-	5 years
Leasehold improvements	-	Term of the lease or 10 years, whichever is the shorter

d) Foreign currency translation

Transactions in foreign currencies are translated at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Foreign exchange gains and losses are reflected in the profit and loss account.

e) Expenditure on racing cars

The racing cars have an expected life of one year and all expenditure on the production and maintenance of such cars is charged to profit and loss during the racing seasons in which the car is used.

Certain research and development costs are capitalised, see Note 1 g. below.

NOTES TO THE ACCOUNTS (Continued)

1. ACCOUNTING POLICIES (Continued)

f) Leases

The company enters into operating and finance leases.

Assets acquired through finance leases are included in fixed assets at cost with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term or its useful economic life. Finance charges are allocated to accounting periods over the period of the lease.

The company enters into operating leases as described in Note 14 which are not reported in the balance sheet. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

g) Stocks and work in progress

The company has capitalised certain research and development costs relating to the production of next seasons racing cars. Finished cars to be raced in the 1990 season are stated at the lower of cost and net realisable value.

2. INVESTMENT INCOME

	<u>1989</u>	<u>1988</u>
Interest receivable	£ 23,591	£ 112,957
	*****	*****

3. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1989</u>	<u>1988</u>
On bank overdraft repayable within five years, not by instalments	£ 100,308	£ 9,607
	*****	*****

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

1989 1988

Profit on ordinary activities before taxation is stated after charging-

a) Depreciation	£ 281,305	£ 199,726
b) Hire of plant and machinery - under operating leases	36,556	19,251
c) Other operating lease rentals	43,233	38,275
d) Auditors' remuneration	10,000	8,500
e) Staff costs (See Note 5)	3,014,164	1,900,579
	*****	*****

NOTES TO THE ACCOUNTS (Continued)

5. STAFF COSTS

Particulars of employees (including executive directors) are shown below-

	<u>1989</u>	<u>1988</u>
Employee costs during the year amounted to-		
Wages and salaries	£2,671,872	£1,694,817
Social security costs	236,826	167,622
Other pension costs	105,466	38,140
	-----	-----
	£3,014,164	£1,900,579
	-----	-----

The average weekly number of persons employed by the company during the year was 115 (1988 - 92).

Directors' remuneration-

Directors' remuneration was paid in respect of directors of the company as follows:

	<u>1989</u>	<u>1988</u>
Fees as directors	£ -	£ 10,000
Other emoluments (including pension contributions)	422,465	73,456
Compensation for loss of office	100,000	-
	-----	-----
	£ 522,465	£ 83,456
	-----	-----

The directors' remuneration shown above (excluding pension contributions) included:

Chairman	£ 80,531	£ 15,181
	-----	-----
Highest paid director	£ 198,948	£ 33,461
	-----	-----

Other directors received emoluments (excluding pension contributions) in the following ranges:

	<u>Number</u>	<u>Number</u>
£ Nil - £ 5,000	4	3
£ 30,001 - £ 35,000	-	1
£ 40,001 - £ 45,000	1	-
£ 95,001 - £100,000	1	-
	-----	-----

NOTES TO THE ACCOUNTS (Continued)

5. STAFF COSTS (Continued)

Higher paid employees:

Employees of the company, other than directors, whose duties were wholly or mainly discharged in the United Kingdom, received remuneration (excluding pension contributions) in the following ranges:

	<u>1989</u> <u>Number</u>	<u>1988</u> <u>Number</u>
£30,000 - £35,000	2	1
£45,001 - £50,000	1	-
£55,001 - £60,000	1	-
	---	---

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the year and comprises:

	<u>1989</u>	<u>1988</u>
Corporation tax at 35% (1988 - 35%)	£106,616	£ 37,000
Deferred taxation arising from allowances	(19,963)	75,033
	-----	-----
	86,653	112,033
Adjustment of current taxation in respect of prior year	7,186	-
Adjustment of deferred taxation in respect of prior year	(17,408)	-
	-----	-----
	£ 76,431	£112,033
	-----	-----

NOTES TO THE ACCOUNTS (Continued)

7. TANGIBLE FIXED ASSETS

The movement in tangible fixed assets during the year was as follows:-

	Leasehold Buildings	Leasehold Improvements	Office equipment Fixtures & Fittings	Motor Vehicles	Plant & Machinery	Total
COST-						
At 1 January 1989	£ 34,000	£190,229	£182,819	£ 308,838	£ 570,894	£1,286,780
Additions	9,000	19,295	86,699	92,830	81,435	280,259
Disposals	-	-	-	(19,842)	-	(19,842)
At 31 December 1989	£ 43,000	£209,524	£269,518	£ 381,826	£ 652,329	£1,556,197
DEPRECIATION-						
At 1 January 1989	£ 1,837	£ 36,270	£ 57,450	£ 126,679	£ 130,296	£ 352,532
Charge for the year	2,196	19,599	52,638	84,145	122,727	281,305
Disposals	-	-	-	(10,815)	-	(10,815)
At 31 December 1989	£ 4,033	£ 55,869	£110,088	£ 200,009	£ 253,023	£ 623,022
NET BOOK VALUE						
1 January 1989	£ 32,163	£153,959	£125,369	£ 182,159	£ 440,598	£ 934,248
NET BOOK VALUE						
31 December 1989	£ 38,967	£153,655	£159,430	£ 181,817	£ 399,306	£ 933,175

Included in the net book value figures above, are finance leases as follows:-

- Motor vehicles	£ 69,624
- Plant and machinery	106,539
	£176,160

NOTES TO THE ACCOUNTS (Continued)

8. STOCKS

The following are included in stocks-

	<u>1989</u>	<u>1988</u>
Finished goods	£ 496,894	£ -
Work-in-progress	424,652	229,236
	-----	-----
	£ 921,546	£ 229,236
	*****	*****

9. DEBTORS

The following are included in debtors-

Amounts falling due within one year-

	<u>1989</u>	<u>1988</u>
Trade debtors	£1,761,007	£ 707,557
Amounts due from group company	92,707	4,060
VAT	51,296	36,281
Other debtors	86,034	13,908
Prepayments and accrued income	123,276	68,901
	-----	-----
	£2,114,320	£ 830,707
	*****	*****

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

The following are included in creditors falling due within one year-

	<u>1989</u>	<u>1988</u>
Bank overdraft	£1,401,481	£ 588,765
Trade creditors	626,850	566,096
Loan from ultimate holding company	591,881	-
Obligations under finance leases	57,091	46,761
Other creditors:		
- Social security and PAYE	194,259	123,622
- UK corporation tax payable	150,951	37,000
Other creditors	-	8,109
Accruals and deferred income	599,989	635,749
	-----	-----
	£ 3,622,502	£ 2,006,102
	*****	*****

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

The following amounts are included in creditors falling due after more than one year-

	<u>1989</u>	<u>1988</u>
Obligations under finance leases	£ 96,164	£ 113,224
	*****	*****

NOTES TO THE ACCOUNTS (Continued)

12. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges comprises deferred taxation, as follows-

	<u>1989</u>	<u>1988</u>
Excess of tax allowances over book depreciation of fixed assets	£ 37,662	£ 75,033
	=====	=====

Deferred taxation

Deferred tax has been fully provided.

	<u>1989</u>	<u>1988</u>
The movement on deferred taxation comprises:		
Beginning of year	£ 75,033	£ -
(Credited)/Charged to profit and loss, in respect of capital allowances	(37,371)	75,033
	-----	-----
End of year	£ 37,662	£ 75,033
	=====	=====

13. CALLED-UP SHARE CAPITAL

	<u>1989</u>	<u>1988</u>
Authorised- Ordinary shares of £1 each	£ 1,500,000	£ 1,500,000
	=====	=====
Allotted, called-up and fully-paid- Ordinary shares of £1 each	£ 900,000	£ 900,000
	=====	=====

14. LEASE COMMITMENTS

The company has entered into leases in respect of certain items of plant and machinery, the payments for which extend over a period of one year.

In addition the company leases certain buildings on long term leases. The rents payable under these leases are subject to review every five years.

The minimum annual rentals under the foregoing leases are as follows-

	<u>1989</u>		<u>1988</u>	
	<u>Property</u>	<u>Plant and machinery</u>	<u>Property</u>	<u>Plant and machinery</u>
Operating leases expiring				
- within one year	£ -	£ -	£ -	£ -
- within 2-5 years	-	36,556	-	36,556
- after 5 years	49,300	-	38,900	-
	-----	-----	-----	-----
	£ 49,300	£ 36,556	£ 38,900	£ 36,556
	=====	=====	=====	=====

15. PENSION ARRANGEMENTS

The company operates a money purchase defined contribution pension scheme which is available to all employees. The amounts charged to profit and loss are shown in note 5 above.

16. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Capital commitments

At the end of the year, capital commitments were:

	<u>1989</u>	<u>1988</u>
Contracted for but not provided for	£ 163,460	£ -
Authorised but not contracted for	£4,836,540	-
	-----	-----
	£5,000,000	£ -
	=====	=====

17. ULTIMATE HOLDING COMPANY

The company is a subsidiary of Benetton U.K. Limited, incorporated in Great Britain. The ultimate holding company is Benetton Group S.p.A., incorporated in Italy.