

RENAULT F1 TEAM LIMITED

Report and Financial Statements

31 December 2005



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RENAULT F1 TEAM LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

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RENAULT F1 TEAM LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The principal activity of the Company is the running of a Formula One racing team. Turnover during the year, comprising principally sponsorship income and prize money, amounted to £120,302,288 (2004 - £94,769,301) and the profit after taxation for the financial year was £3,594,082 (2004 - Profit £2,740,544).

In 2005 the Team achieved ultimate success on the track by winning both the Constructors' and Drivers' Championships, having lead the way from the start of the season.

The Directors commend the excellent performance of the staff throughout the year, and also acknowledge the valuable support and contribution of Sponsors and Partners in attaining this result.

The Turnover of the company has increased significantly in the year. The majority of the additional income arising directly from performance bonuses, as well as two new Sponsors – Mutua Madrilenà and Chronotech, and the ongoing development of Merchandising and related Marketing revenue streams. The Company also continues to extend its Official Supplier Partnerships, notably in the field of Information Systems & Technology.

Despite the increase in Turnover, Operating Profit is slightly down on last year. This is partly reflected in the 10% increase in headcount, and performance bonuses paid out to Drivers and Staff. The Team has also sought to ensure the reliability and competitiveness of the racing cars, by continuing to develop new parts until the Championship results were confirmed.

The Company looks forward to the challenge of defending its Championship titles in 2006.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (2004 - £nil). The profit for the year of £3,594,082 (2004 - Profit £2,740,544) has been added to the deficit on the profit and loss account.

RESEARCH AND DEVELOPMENT

Information relating to research and development expenditure on racing cars is given in note 1 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The following served as directors during the year:

P Faure (resigned 3 April 2006)
A Dassas (appointed 3 April 2006)
F Briatore

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

EMPLOYEES

Applications for employment of disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person who does not suffer from a disability.

The company has arrangements for providing information to employees, involving employees in the company's performance and achieving an awareness amongst employees of the factors affecting the company's performance.

AUDITORS

Deloitte & Touche LLP resigned as Auditors, and were replaced by Ernst & Young LLP.

Ernst and Young have expressed a willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board on 18 OCTOBER 2006



S Hanks, Joint Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

United Kingdom company law requires the directors to prepare financial statements and notes to the accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year 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
- 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.

RENAULT F1 TEAM LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2005

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Renault F1 Team Limited

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions 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.

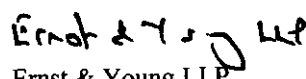
Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered auditor
Luton
15 October 2006

RENAULT F1 TEAM LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2005

	Note	2005 £	2004 £
TURNOVER	1	120,302,288	94,769,301
Operating expenses	2	<u>(118,514,606)</u>	<u>(92,625,970)</u>
OPERATING PROFIT BEING PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		1,787,682	2,143,331
Other interest receivable and similar income	4	95,776	93,905
Interest payable and similar charges	5	<u>(340,118)</u>	<u>(361,656)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	1,543,340	1,875,580
Tax on profit on ordinary activities	7	<u>2,050,742</u>	<u>864,964</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE FINANCIAL YEAR	15	<u>3,594,082</u>	<u>2,740,544</u>

All activities derive from continuing operations.

There are no recognised gains and losses other than the results for the current financial year and preceding financial year. Accordingly, no statement of total recognised gains and losses is given.

RENAULT F1 TEAM LIMITED

BALANCE SHEET Year ended 31 December 2005

	Note	£	2005 £	£	2004 £
FIXED ASSETS					
Intangible assets	8	-	1,066,663		
Tangible assets	9	26,093,808	22,775,325		
			26,093,808		23,841,988
CURRENT ASSETS					
Stocks	10	11,454,137	11,064,309		
Debtors	11	16,937,819	17,871,224		
Cash at bank and in hand		378,377	2,449,902		
		28,770,333	31,385,435		
CREDITORS: amounts falling due Within one year	12	(36,786,063)	(40,743,427)		
NET CURRENT LIABILITIES			(8,015,730)		(9,357,992)
TOTAL ASSETS LESS CURRENT LIABILITIES			18,078,078		14,483,996
CAPITAL AND RESERVES					
Called up share capital	14	26,400,000	26,400,000		
Profit and loss account	15	(8,321,922)	(11,916,004)		
EQUITY SHAREHOLDERS' FUNDS	16	18,078,078	14,483,996		

These financial statements were approved by the Board of Directors on 18 OCTOBER 2006

On behalf of the board



A Dassas

Chairman

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention and on a going concern basis.

Turnover

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

The company uses engines from Renault Group SA. Due to the developmental nature of engines the directors do not believe that it is possible to provide a reliable estimate of their cost. Accordingly, turnover and cost of sales do not include any amounts in respect of these engines.

Tangible and Intangible fixed assets

Fixed assets are stated at 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:

Buildings , Improvements	10 – 22.5 years
Motor vehicles	4 years
Plant, machinery, furniture and fittings	2 – 8 years

Assets under construction are held separately within fixed assets and are not subject to depreciation until they are brought into use. When the asset is brought into use it is transferred to the relevant fixed asset category. *Goodwill and Intellectual Property* arose from the acquisition of certain assets from the former TWR Group. These amounts were written off in the year.

Foreign currency translation

Transactions in foreign currencies are translated at the rate ruling at the date of the transaction. Monetary 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.

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 the profit and loss account during the racing season in which the car is used.

The Board considers that research continues to play a vital role in the company's success. Certain development costs are carried forward to the following year.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or to pay less tax, at a future date at rates expected to apply when they crystallise based on current tax rates and law. *Timing differences arise from the inclusion of items of income and expenditure in taxation computations in period different from those in which they are included in financial statements.* Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of those assets. Deferred tax assets and liabilities are not discounted.

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

1. ACCOUNTING POLICIES (continued)

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Stocks and work in progress

The company has carried forward to the following year certain development costs relating to the production of next season's racing cars.

2. OPERATING EXPENSES

Due to the nature of the business the directors are of the opinion that analysis of expenditure between costs of sales, administration costs and distribution costs would be meaningless and hence no analysis is given.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2005	2004
	£	£
Directors' emoluments		
Remuneration	873,831	864,067
	<u>873,831</u>	<u>864,067</u>
Remuneration of the highest paid director	<u>873,831</u>	<u>864,067</u>

No pension contributions were paid in respect of any director (2004 - £Nil).

	2005	2004
	No	No
Average number of persons employed		
Engineering	269	238
Production	157	147
Administration	82	78
	<u>508</u>	<u>463</u>

	2005	2004
	£	£
Staff costs during the year (including directors)		
Wages and salaries	30,640,566	24,106,480
Social security costs	3,598,097	2,802,500
	<u>34,238,663</u>	<u>26,908,980</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2005	2004
	£	£
Interest receivable on bank deposits	40,532	32,093
On inter company loans, repayable within five years	54,010	51,153
Other interest received	1,234	4,659
	<u>95,776</u>	<u>93,905</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
On bank loans and overdrafts, and other loans, repayable within five years	3,511	5,865
On inter company loans, repayable within five years	336,607	351,565
Other interest payable	-	4,226
	<u>340,118</u>	<u>361,656</u>

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:	2005	2004
	£	£
Depreciation	6,251,468	4,304,273
Amortisation of goodwill and intellectual property	1,066,663	320,004
Rentals under operating leases		
Land and buildings	25,792	82,356
Plant and machinery	1,164,614	1,117,590
Motor Vehicles	3,604	1,320
Auditors' remuneration		
Audit services	22,992	21,496
Non audit services	-	231,850
Previously unprovided tax in relation to seconded staff (2003 and prior)	-	(515,000)
	<u>-</u>	<u>(515,000)</u>

RENAULT F1 TEAM LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

7. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

	2005 £	2004 £
Corporation tax		
Group relief receivable for prior year	2,050,742	864,964

The tax credit for the period is lower than that from applying the standard rate of corporation tax in the UK: 30% (2004:30%).

	2005 £	2004 £
Profit on ordinary activities before tax	1,543,340	1,875,580
Tax at 30% thereon	463,002	562,674
Effects of:		
Expenses not deductible for tax purposes	463,411	360,693
Capital allowances in excess of depreciation	238,911	(134,136)
Movement in tax losses not recognised	1,087,602	32,074
Movement in short term timing differences	(29,881)	51,940
Prior period adjustments	(2,050,742)	(864,964)
Additional relief for research and development expenditure	(2,223,075)	(873,245)
Current tax credit for the period	(2,050,742)	(864,964)

8. INTANGIBLE ASSETS

	Goodwill £	Intellectual Property £	Total £
Cost			
At 1 January 2005 and 31 December 2005	1,000,000	600,000	1,600,000
Amortisation			
At 1 January 2005	333,337	200,000	533,337
Charge for the year	666,663	400,000	1,066,663
At 31 December 2005	1,000,000	600,000	1,600,000
Net book value			
At 31 December 2005	-	-	-
At 31 December 2004	666,663	400,000	1,066,663

In May 2003, the Company acquired certain assets and personnel from the former TWR Group. Following changes to the FIA 2006 technical regulations, in particular from a V10 to V8 engine configuration, the Directors consider that full amortisation is now appropriate.

RENAULT F1 TEAM LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant, machinery, furniture and fittings £	Motor vehicles £	Assets under construction £	Total £
Cost					
At 1 January 2005	13,674,985	27,092,826	1,735,205	1,699,424	44,202,440
Additions	721,804	6,393,466	-	2,508,847	9,624,117
Transfers	-	1,699,424	-	(1,699,424)	-
Disposals	-	(2,202,830)	(35,367)	-	(2,238,197)
At 31 December 2005	<u>14,396,789</u>	<u>32,982,886</u>	<u>1,699,838</u>	<u>2,508,847</u>	<u>51,588,360</u>
Accumulated depreciation					
At 1 January 2005	3,256,848	17,003,770	1,166,497	-	21,427,115
Charge for the year	652,229	5,348,630	250,609	-	6,251,468
Disposals	-	(2,148,664)	(35,367)	-	(2,184,031)
At 31 December 2005	<u>3,909,077</u>	<u>20,203,736</u>	<u>1,381,739</u>	<u>-</u>	<u>25,494,552</u>
Net book value					
At 31 December 2005	<u>10,487,712</u>	<u>12,779,150</u>	<u>318,099</u>	<u>2,508,847</u>	<u>26,093,808</u>
At 31 December 2004	<u>10,418,137</u>	<u>10,089,056</u>	<u>568,708</u>	<u>1,699,424</u>	<u>22,775,325</u>

Included in the total for freehold land and buildings is land of £1,200,000 which is not depreciated.

10. STOCKS

	2005 £	2004 £
Work in progress	<u>11,454,137</u>	<u>11,064,309</u>

11. DEBTORS

	2005 £	2004 £
Amounts falling due within one year		
Trade debtors	3,351,380	900,452
Amounts due from group undertakings	4,850,806	9,755,379
Value added tax	1,198,138	664,067
Other debtors	607,608	693,688
Prepayments and accrued income	6,929,887	5,857,638
	<u>16,937,819</u>	<u>17,871,224</u>

RENAULT F1 TEAM LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Bank overdrafts	270,936	-
Trade creditors	2,212,830	4,773,380
Amounts owed to group undertakings	4,511,796	263,395
Other taxation and social security	1,553,410	1,046,661
Accruals and deferred income	28,237,091	34,659,991
	<u>36,786,063</u>	<u>40,743,427</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided 2005 £	Provided 2004 £	Not provided 2005 £	Not provided 2004 £
Capital allowances in excess of depreciation	324,432	522,691	-	-
Short term timing differences	(36,911)	(66,000)	-	-
Losses	(287,521)	(456,691)	(2,009,381)	(3,079,522)
	<u>-</u>	<u>-</u>	<u>(2,009,381)</u>	<u>(3,079,522)</u>

A deferred tax asset has not been recognised in respect of timing differences relating to estimated excess tax losses arising as there is insufficient certainty that sufficient profit will be realised to utilise the losses arising.

14. CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised 26,400,000 Ordinary shares of £1 each (2004 – 26,400,000)	26,400,000	26,400,000
Called up, allotted and fully paid 26,400,000 Ordinary shares of £1 each (2004 – 26,400,000)	<u>26,400,000</u>	<u>26,400,000</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

15. PROFIT AND LOSS ACCOUNT

	£
Balance at 1 January 2005	(11,916,004)
Profit for the financial year	3,594,082
	<u> </u>
Balance at 31 December 2005	<u>(8,321,922)</u>

16. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2005 £	2004 £
Profit / (loss) for the financial year	3,594,082	2,740,544
Issue of fully paid ordinary shares of £1 each	-	-
	<u> </u>	<u> </u>
Net addition to shareholders' funds	3,594,082	2,740,544
Opening shareholders' funds	14,483,996	11,743,452
	<u> </u>	<u> </u>
Closing shareholders' funds	<u>18,078,078</u>	<u>14,483,996</u>

17. FINANCIAL COMMITMENTS

	2005 £	2004 £
Capital commitments		
Contracted for but not provided	<u>2,686,102</u>	<u>3,163,659</u>

Lease commitments

At 31 December 2005, the company was committed to making the following payments during the next year in respect of:

	2005		2004	
Operating Leases	Land and Buildings £	Other £	Land and Buildings £	Other £
Leases which expire:				
Within one year	2,339	79,388	7,188	457,992
Within two to five years	30,569	859,580	-	538,989
	<u>32,908</u>	<u>938,968</u>	<u>7,188</u>	<u>996,981</u>

18. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard 8, the company has not disclosed transactions with other investee companies in the group as the results are consolidated into the financial statements of the Renault Group SA, which are publicly available.

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

19. ULTIMATE PARENT COMPANY

The largest group of which Renault F1 Team Limited is a member and for which group accounts are drawn up is that headed by Renault Group SA, incorporated in France. The consolidated accounts of this group are available from 13-15 Quai Le Gallo, 92100 Boulogne – Billancourt, France. Renault Group SA is also considered the company's ultimate controlling party.

The company's immediate parent company is Grigny (UK) Limited, a company incorporated in England and Wales.