

RENAULT F1 TEAM LIMITED

Report and Financial Statements

31 December 2007

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RENAULT F1 TEAM LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

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DIRECTORS' REPORT

1

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

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 mainly sponsorship income and prize money, amounted to £110,837,346 (2006 - £132,018,284) and the loss after taxation for the financial year was £3,943,550 (2006 - loss £2,091,895)

The Team struggled with car performance issues during the first half of the year, achieving 1 podium position, and ultimately finishing the Championship in 3rd place

Turnover decreased as certain Sponsors were not renewed, and performance bonuses were also reduced. The Company is pleased to welcome ING as Title Partner.

Operating costs reduced by 15% due to a decrease in staff bonuses and driver remuneration.

The Directors consider that presentation of key financial and performance indicators, as determined by CA1985 s234ZZB, would not enhance the disclosures already contained in this report.

The Directors look forward to continued improvement in the performance of the team in the forthcoming season.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are of the opinion that a thorough risk management process is adopted through regular financial review and reporting structures enforced through the Renault Group. The risks and uncertainties facing the Company might be broadly grouped as Competitive, Legislative, and Financial.

- **Competitive Risks**

The Company's financial performance is subject to significant variation where its principal sponsors pay bonuses in respect to results achieved on track. Such results also combine to affect a proportion of the Company's income from TV prize money in the following season, as well as generally impacting on the Company's ability to generate sponsorships in the future.

- **Legislative Risks**

As a competitor in the FIA Formula One World Championship, the Team is subject to the International Sporting Code, the current F1 Technical and Sporting Regulations, and the provisions laid out in the 1998 Concorde Agreement. The Company works with its employees, agents and advisors, and also the governing body to ensure its compliance.

- **Financial Risks**

The Company uses overdraft facilities, loans, cash, and trade payables and receivables directly in the course of its ongoing operations. The Renault Group retains overall control of treasury functions. Accordingly the Company adheres to certain Group policies restricting derivative or currency hedging, and seeks to minimise exposure to exchange risk through matching currency assets and expenditure to income and borrowings through the Group.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (2006- £nil). The loss for the year of £3,943,550 (2006 - Loss £2,091,895) 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' REPORT

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DIRECTORS

The following served as directors during the year

A Dassas (resigned 5 November 2007)

B Rey (appointed 17 September 2007)

F Briatore

L Chedorge (appointed 1 July 2007)

S Hanks (resigned Company Secretary 16 February 2007)

P Thompson (appointed Company Secretary 1 July 2007)

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 awareness amongst employees of the factors affecting the company's performance.

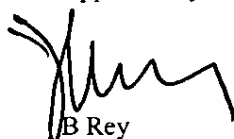
DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the group's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to have made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

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



B Rey

Director

28 May 2008

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.

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 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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

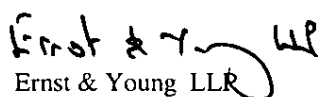
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2007 and of its loss for the year ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.


Ernst & Young LLP

Registered Auditor

Luton

28 May 2008

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2007

	Note	2007 £	2006 £
TURNOVER	1	110,837,346	132,018,284
Operating expenses	2	<u>(114,772,914)</u>	<u>(134,299,161)</u>
OPERATING LOSS BEING LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(3,935,568)	(2,280,877)
Other interest receivable and similar income	4	132,282	97,065
Interest payable and similar charges	5	<u>(2,004,791)</u>	<u>(1,405,125)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(5,808,077)	(3,588,937)
Tax on loss on ordinary activities	7	<u>1,864,527</u>	<u>1,497,042</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE FINANCIAL YEAR	15	<u><u>(3,943,550)</u></u>	<u><u>(2,091,895)</u></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.

BALANCE SHEET
Year ended 31 December 2007

	Note	£	2007 £	£	2006 £
FIXED ASSETS					
Tangible assets	8	27,405,124		26,483,896	
			27,405,124		26,483,896
CURRENT ASSETS					
Stocks	9	15,696,200		14,301,182	
Debtors	10	17,015,035		24,294,998	
Cash at bank and in hand		715,992		1,199,096	
		33,427,227		39,795,276	
CREDITORS: amounts falling due		(48,789,718)		(50,292,989)	
Within one year	11				
NET CURRENT LIABILITIES			(15,362,491)		(10,497,713)
TOTAL ASSETS LESS CURRENT LIABILITIES			12,042,633		15,986,183
CAPITAL AND RESERVES					
Called up share capital	13		26,400,000		26,400,000
Profit and loss account	14		(14,357,367)		(10,413,817)
EQUITY SHAREHOLDERS' FUNDS	15		12,042,633		15,986,183

These financial statements were approved by the Board of Directors on

On behalf of the board



L Chedorge

Chief Financial Officer

28 May 2008

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

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. Turnover and cost of sales do not include any amounts in respect of these engines.

Tangible 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:

Freehold Land and Buildings	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.

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 2007

1. ACCOUNTING POLICIES (continued)

Leases

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

	2007	2006
	£	£
Directors' emoluments		
Remuneration	952,947	874,102
Remuneration of the highest paid director	940,947	874,102

No pension contributions were paid in respect of any director (2006 - £Nil)

	2007	2006
	No	No
Average number of persons employed		
Engineering	273	282
Production	167	164
Administration	89	80
	529	526

	2007	2006
	£	£
Staff costs during the year (including directors)		
Wages and salaries	30,461,630	33,226,803
Social security costs	3,473,409	3,850,626
	33,935,039	37,077,429

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2007	2006
	£	£
On bank deposits	81,187	56,137
On inter company loans, repayable within five years	38,641	32,767
Other interest receivable	12,454	8,161
	132,282	97,065

NOTES TO THE ACCOUNTS
Year ended 31 December 2007

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
On bank loans and overdrafts, and other loans, repayable within five years	1,118	2,773
On inter company loans, repayable within five years	2,003,673	1,402,352
	<u>2,004,791</u>	<u>1,405,125</u>

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:	2007	2006
	£	£
Depreciation	8,332,042	7,378,231
Rentals under operating leases		
Land and buildings	39,851	40,386
Plant and machinery	892,824	927,117
Motor Vehicles	42,367	24,166
Loss on sale of fixed assets	31,679	168
Auditors' remuneration		
Audit of the financial statements	<u>24,008</u>	<u>25,098</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2007

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	2007 £	2006 £
Corporation tax		
Group relief receivable for prior year	1,864,527	1,497,042

The tax credit for the year is higher than that from applying the standard rate of corporation tax in the UK 30% (2006 30%)

	2007 £	2006 £
Loss on ordinary activities before tax	(5,808,077)	(3,588,937)
Tax at 30% thereon	(1,742,423)	(1,076,681)
Effects of		
Expenses not deductible for tax purposes	194,280	339,983
Elimination of unprovided deferred tax on industrial buildings	654,715	
Capital allowances in excess of depreciation	(988,798)	(167,038)
Movement in tax losses not recognised	4,722,693	4,050,961
Standard Timing Differences	(9,239)	
Impact of rate change on current year deferred tax credit/charge	266,047	-
Prior period adjustments	(1,864,527)	(1,497,042)
Additional relief for research and development expenditure	(3,097,275)	(3,147,225)
Current tax credit for the year	(1,864,527)	(1,497,042)

NOTES TO THE ACCOUNTS
Year ended 31 December 2007

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant, machinery, furniture and fittings £	Motor vehicles £	Assets under construction £	Total £
Cost					
At 1 January 2007	15,201,504	38,710,856	2,415,828	2,349,370	58,677,558
Additions	1,212,357	5,695,817	50,000	2,843,764	9,801,938
Transfers	431,885	1,717,485	200,000	(2,349,370)	-
Disposals	(485,274)	(968,078)	(577,244)		(2,030,596)
At 31 December 2007	16,360,472	45,156,080	2,088,584	2,843,764	66,448,900
Accumulated depreciation					
At 1 January 2007	4,649,606	25,930,770	1,613,286	-	32,193,662
Charge for the year	837,816	6,921,455	572,771	-	8,332,042
Disposals	(8,088)	(652,456)	(821,384)	-	(1,481,928)
At 31 December 2007	5,479,334	32,199,769	1,364,673	-	39,043,776
Net book value					
At 31 December 2007	10,881,138	12,956,311	723,911	2,843,764	27,405,124
At 31 December 2006	10,551,898	12,780,086	802,542	2,349,370	26,483,896

Included in the total for freehold land and buildings is land of £1,220,000 which is not depreciated

9. STOCKS

	2007 £	2006 £
Work in progress	15,696,200	14,301,182

10. DEBTORS

	2007 £	2006 £
Amounts falling due within one year		
Trade debtors	1,294,000	3,180,956
Amounts due from group undertakings	5,522,669	6,068,203
Value added tax	598,970	-
Other debtors	373,466	677,819
Prepayments and accrued income	9,225,930	14,368,020
	17,015,035	24,294,998

NOTES TO THE ACCOUNTS
Year ended 31 December 2007

11. CREDITORS

	2007 £	2006 £
Amounts falling due within one year		
Bank overdrafts	293,234	-
Trade creditors	3,842,795	3,442,508
Amounts owed to group undertakings	30,156,107	22,735,377
Value added tax	-	763,953
Other taxation and social security	1,685,545	1,807,970
Accruals and deferred income	12,812,037	21,543,181
	<u>48,789,718</u>	<u>50,292,989</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

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

	Provided 2007 £	Provided 2006 £	Not provided 2007 £	Not provided 2006 £
Difference arising between accumulated depreciation & Capital allowances	4,191,152	3,317,222		-
Short term timing differences	(4,200)	(14,399)		-
Losses	(4,186,952)	(3,302,823)	(4,569,522)	(4,235,431)
	<u>-</u>	<u>-</u>	<u>(4,569,522)</u>	<u>(4,235,431)</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

13. CALLED UP SHARE CAPITAL

	2007 £	2006 £
Authorised		
26,400,000 Ordinary shares of £1 each (2006 – 26,400,000)	26,400,000	26,400,000
Called up, allotted and fully paid		
26,400,000 Ordinary shares of £1 each (2006 – 26,400,000)	26,400,000	26,400,000

NOTES TO THE ACCOUNTS
Year ended 31 December 2007

14. PROFIT AND LOSS ACCOUNT

	2007 £
Balance at 1 January 2007	(10,413,817)
Loss for the financial year	(3,943,550)
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Balance at 31 December 2007	(14,357,367)
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15. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2007 £	2006 £
(Loss)/profit for the financial year	(3,943,550)	(2,091,895)
Net addition to shareholders' funds	(3,943,550)	(2,091,895)
Opening shareholders' funds	15,986,183	18,078,078
Closing shareholders' funds	12,042,633	15,986,183
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16. FINANCIAL COMMITMENTS

	2007 £	2006 £
Capital commitments		
Contracted for but not provided	4,609,530	3,946,861
	<hr/>	<hr/>

Lease commitments

At 31 December 2007, the company was committed to making the following payments during the next year in respect of

	2007		2006	
Operating Leases	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
Leases which expire				
Within one year	-	148,437	8,550	336,852
Within two to five years	39,227	590,559	39,061	531,349
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	39,227	738,996	47,611	868,201
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NOTES TO THE ACCOUNTS
Year ended 31 December 2007

17. 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

18. 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.