

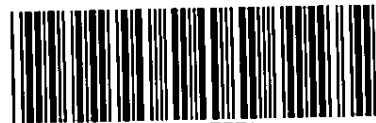
**Company Registration No. 3915200**

**A1 Grand Prix Operations Limited**

**Report and Financial Statements**

**Period ended 30 June 2007**

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# **A1 Grand Prix Operations Limited**

## **Report and financial statements 2007**

### **Officers and professional advisers**

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# **A1 Grand Prix Operations Limited**

## **Report and financial statements 2007**

### **Officers and professional advisers**

#### **Director**

Antonio Carlos Guedes Teixeira

#### **Secretary**

Bénédicte Mercer

#### **Registered Office**

190-192 Sloane Street  
London  
SW1 9QX

#### **Auditors**

Deloitte & Touche LLP  
Chartered Accountants  
London

# A1 Grand Prix Operations Limited

## Director's report

The director presents the annual report and the audited financial statements for the 14 month period ended 30 June 2007

During the period the company changed its accounting reference date from 30 April to 30 June

This director's report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985

### Principal activities and business review

A1 Grand Prix Operations, based at Silverstone, provides both the technical and operational services for the motor racing series known as the A1GP World Cup of Motorsport

A1GP Operations is responsible for the safeguarding of A1GP's assets (race cars, engines, etc ), A1GP's logistic process (transporting cars to and from A1GP races), event management, production and broadcast material and supplier relations

### Dividends

The director does not recommend payment of a dividend for the period (30 April 2006 £nil)

### Directors and their interests

The directors who served throughout the period, except as noted, were as follows

Sheikh Maktoum Hasher Al Maktoum (resigned 6 December 2006)  
Antonio Carlos Guedes Teixeira

None of the directors had any beneficial interests in the shares of the company during the period

The company is a wholly owned subsidiary of a company incorporated outside Great Britain and, as permitted by statutory instrument, no disclosure is made of any interests of the directors in the shares or share options of that company

### Auditors

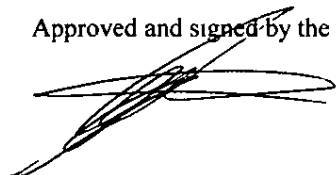
Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved and signed by the Director



Antonio Carlos Guedes Teixeira  
Director 2007

8 April 2008

# **A1 Grand Prix Operations Limited**

## **Statement of director's responsibilities**

The director is responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union

The director is required to prepare financial statements for each financial period which present fairly the financial position, financial performance and cash flows of the company for that period. In preparing those financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- state that the company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements

After making enquiries, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the director continues to adopt the going concern in preparing accounts

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. He is also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

# **A1 Grand Prix Operations Limited**

## **Independent auditors' report to the members of A1 Grand Prix Operations Limited**

We have audited the financial statements of A1 Grand Prix Operations Limited for the 14 month period ended 30 June 2007 which comprises the income statement, the balance sheet, the cash flow statement and the related notes 1 to 14. 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 the director and auditors**

As described in the statement of director responsibilities, the company's director is responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the director's 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 transactions with the company is not disclosed.

We read the director's report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **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 judgements made by the director 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.

## **A1 Grand Prix Operations Limited**

### **Independent auditors' report to the members of A1 Grand Prix Operations Limited (continued)**

#### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 June 2007 and of its loss for the 14 month period ended 30 June 2007,
- 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

#### **Emphasis of matter – going concern**

Without qualifying our opinion, we draw attention to the disclosures made in Note 1 to the financial statements which indicate that until additional funding is raised by the group, its ability to continue as a going concern remains a material uncertainty. The financial statements do not refer to any adjustments that would result if the group was unable to continue as a going concern as it is not practicable to determine or quantify them.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**  
Registered Auditors  
London

*10 April* 2008

# A1 Grand Prix Operations Limited

## Income Statement

**Fourteen month period ended 30 June 2007**

		<b>14 month period ended 30 June 2007 £</b>	<b>Period from 1 February 2005 to 30 April 2006 £</b>
Revenue	1	3,432,263	2,275,188
Cost of sales		(4,800,681)	(3,984,706)
<b>Gross loss</b>		<b>(1,368,418)</b>	<b>(1,709,518)</b>
Operating expenses		(13,753,374)	(12,647,691)
<b>Operating loss</b>		<b>(15,121,792)</b>	<b>(14,357,209)</b>
Investment revenue		50	37
Finance Costs		(16,509)	(28,217)
<b>Loss on ordinary activities before tax</b>	2	<b>(15,138,251)</b>	<b>(14,385,389)</b>
Tax on loss on ordinary activities	4	-	-
<b>Retained loss for the financial period</b>	11	<b>(15,138,251)</b>	<b>(14,385,389)</b>

The company's results for the period above are derived entirely from continuing activities

The company has no recognised gains and losses other than the losses above, and therefore no separate statement of total recognised income and expense has been presented



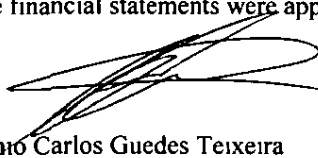
# A1 Grand Prix Operations Limited

## Balance sheet At 30 June 2007

	Note	30 June 2007 £	30 April 2006 £
<b>Fixed assets</b>			
Tangible assets	5	800,748	1,169,682
<b>Current assets</b>			
Stocks	6	1,342,337	915,043
Debtors	7	14,330,984	4,033,899
Cash at bank and in hand		374,977	265,184
		<u>16,048,298</u>	<u>5,214,126</u>
<b>Creditors: amounts falling due within one year</b>	8	<u>(46,372,685)</u>	<u>(20,769,196)</u>
<b>Net liabilities</b>		<u>(29,523,639)</u>	<u>(14,385,388)</u>
<b>Capital and reserves</b>			
Called up share capital	10	1	1
Retained earnings	11	<u>(29,523,640)</u>	<u>(14,385,389)</u>
<b>Shareholders' deficit</b>	11	<u>(29,523,639)</u>	<u>(14,385,388)</u>

These financial statements were approved and signed by the Director on

8 April 2008  
2007

  
Antonio Carlos Guedes Teixeira  
Director

# A1 Grand Prix Operations Limited

## Cash flow statement

Fourteen month period ended 30 June 2007

		14 month period ended 30 June 2007 £	Period from 1 February 2005 to 30 April 2006 £
	Note		
<b>Cash flows from operating activities</b>	12	(27,568,526)	(15,048,212)
Net cash utilised in operating activities		(27,568,526)	(15,048,212)
<b>Cash flows from investing activities</b>			
Interest received		50	37
Payments for property, plant and equipment	5	(162,958)	(1,815,369)
Net cash used in investing activities		(162,908)	(1,815,332)
<b>Cash flows from financing activities</b>			
Net proceeds from borrowings		27,857,736	17,156,945
Interest paid		(16,509)	(28,217)
Net cash from financing activities		27,841,227	17,128,728
<b>Net increase in cash and cash equivalents</b>		109,793	265,184
Cash and cash equivalents at beginning of the period		265,184	-
<b>Cash and cash equivalents at end of the period</b>		<u>374,977</u>	<u>265,184</u>

# **A1 Grand Prix Operations Limited**

## **Notes to the financial statements** **Fourteen month period ended 30 June 2007**

### **1. Accounting policies**

The principal accounting policies are summarised below. They have been applied consistently throughout the current and preceding period.

#### **Basis of preparation**

The financial statements have been prepared in accordance with applicable International Financial Reporting standards (IFRS), under the historical cost convention.

#### **Going concern**

The group is now entering its third season of racing. In the first two seasons the group incurred cumulative losses of \$135m. Management's projections indicate that in order for the group to operate in the forthcoming year additional funding is required from either the existing shareholders or other third parties. None of this funding is currently contractually committed. Further the group's RAB loan (currently \$88m) is due to be repaid in December 2008.

In addition the group is reliant on meeting its revenue projections for the forthcoming season principally in relation to sponsorship and franchise fees.

Until additional funding required to meeting ongoing expenditure is raised, the ability of the group to continue as a going concern remains a material uncertainty which may cast significant doubt as to the Company's ability to continue as a going concern. It is also dependent on raising sponsorship and franchise fees income as budgeted. Should the group not be able to continue as going concern, it may not be able to realise its assets and discharge its liabilities in the normal course of business.

RAB and Lyndhurst Limited have informed the directors of their intent to provide sufficient funds for the group to be able to meet its obligations as and when they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

#### **Revenue**

Revenue is measured at the fair value of the consideration received or receivable and presents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation and impairment. Cost comprises the aggregate amount paid and the fair value of any consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets 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:

Land and buildings	4 years
Plant and machinery	4 years
Computer equipment	2 years
Fixtures and equipment	4 years

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing stock to its present location and condition, including an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

# A1 Grand Prix Operations Limited

## Notes to the financial statements Fourteen month period ended 30 June 2007

### 2. Loss on ordinary activities before taxation

	14 month period ended 30 June 2007 £	Period from 1 February 2005 to 30 April 2006 £
Is stated after charging		
Depreciation on owned tangible fixed assets	531,892	645,687
Auditors' remuneration	18,000	20,000
	<u>549,892</u>	<u>665,687</u>

### 3. Information regarding directors and employees

	14 month period ended 30 June 2007 No.	Period from 1 February 2005 to 30 April 2006 No.
<b>Average number of persons employed</b>		
Operations	12	12
Sales and administration	21	14
	<u>33</u>	<u>26</u>
	£	£
<b>Staff costs during the period (including directors)</b>		
Wages and salaries	1,509,195	1,175,990
Social security costs	698,379	244,647
Pension costs	-	-
	<u>2,207,574</u>	<u>1,420,637</u>

# A1 Grand Prix Operations Limited

## Notes to the financial statements Fourteen month period ended 30 June 2007

### 4. Tax on loss on ordinary activities

#### (a) Analysis of tax charge for the period

	14 month period ended 30 June 2007 £	Period from 1 February 2005 to 30 April 2006 £
<b>Current tax:</b>		
UK corporation tax	-	-
Adjustment in respect of prior years	-	-
<b>Total current tax</b>	-	-
<b>Total deferred tax</b>	-	-
<b>Tax on loss on ordinary activities</b>	-	-

#### (b) Factors affecting the tax charge for the period

The current tax charge for the current and preceding period is different to the standard rate of corporation tax in the UK (30%). The differences are explained below

	14 month period ended 30 June 2007 £	Period from 1 February 2005 to 30 April 2006 £
Tax on loss on ordinary activities at standard rate 30% (2006 30%)	(15,138,251)	(14,385,389)
Tax at 30% thereon	4,541,475	4,315,617
Effects of		
Expenses not deductible for tax purposes	(744,613)	(532,001)
Generation of tax losses	(3,796,862)	(3,783,616)
<b>Current tax</b>	-	-

A deferred tax asset of £7.6m (2006 £3.8m) in relation to tax losses has not been recognised in these financial statements

# A1 Grand Prix Operations Limited

## Notes to the financial statements Fourteen month period ended 30 June 2007

### 5. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Fixtures and equipment £	Total £
<b>Cost</b>				
At 1 May 2006	84,895	1,537,015	193,459	1,815,369
Additions	-	123,519	39,439	162,958
At 30 June 2007	84,895	1,660,534	232,898	1,978,327
<b>Accumulated depreciation</b>				
At 1 May 2006	28,298	548,397	68,992	645,687
Charge for the period	20,149	474,791	36,952	531,892
At 30 June 2007	48,447	1,023,188	105,944	1,177,579
<b>Net book value</b>				
At 30 June 2007	36,448	637,346	126,954	800,748
At 30 April 2006	56,597	988,618	124,467	1,169,682

### 6. Stocks

	30 June 2007 £	30 April 2006 £
Stocks	1,342,337	915,043

### 7. Debtors

	30 June 2007 £	30 April 2006 £
Trade debtors	593,620	744,125
Provision for doubtful debts	(85,465)	-
Other debtors	-	4,000
Deposits	29,826	23,101
Amounts owed by group undertakings	11,698,283	1,526,859
Other receivables	1,699,798	1,363,448
Other taxation and social security	394,922	372,366
	14,330,984	4,033,899

# A1 Grand Prix Operations Limited

## Notes to the financial statements Fourteen month period ended 30 June 2007

### 8. Creditors: amounts falling due within one year

	30 June 2007 £	30 April 2006 £
Amounts owed to group undertakings (note 9)	45,014,681	6,933,756
Trade creditors	1,341,510	3,350,346
Accruals and deferred income	16,494	261,905
Unsecured		
Lyndhurst Limited	-	10,000,967
Tony Clements	-	222,222
	<u>46,372,685</u>	<u>20,769,196</u>

### 9. Borrowings

The amounts owed to group undertakings as per note 8 are interest free, unsecured and no terms for repayment have been set

### 10. Called up share capital

	30 June 2007 £	30 April 2006 £
<b>Authorised:</b>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<b>Called up, allotted and fully paid:</b>		
1 ordinary share of £1	<u>1</u>	<u>1</u>

### 11. Reconciliation of movements in shareholder deficit

	14 month period ended 30 June 2007 £	Period from 1 February 2005 to 30 April 2006 £
Shareholder deficit at start of period	(14,385,388)	1
Loss for the financial period	(15,138,251)	(14,385,389)
Shareholder deficit at end of period	<u>(29,523,639)</u>	<u>(14,385,388)</u>

# A1 Grand Prix Operations Limited

## Notes to the financial statements

### Fourteen month period ended 30 June 2007

#### 12. Reconciliation of loss on ordinary activities before tax to net cash outflow from operating activities

	14 month period ended 30 June 2007 £	Period from 1 February 2005 to 30 April 2006 £
Loss on ordinary activities before tax	(15,138,251)	(14,385,389)
Depreciation	531,892	645,687
Interest paid	16,509	28,217
Adjusted for items separately disclosed		
Investment revenue recognised in loss	(50)	(37)
Increase in debtors	(10,297,085)	(4,033,899)
Increase in stock	(427,294)	(915,042)
Decrease in creditors	(2,254,247)	3,612,251
Net cash outflow from operating activities	<u>(27,568,526)</u>	<u>(15,048,212)</u>

#### 13. Related party transactions

##### Trading transactions

During the year the company entered into the following transactions with related parties

	Sale of goods £	Amounts owed by related parties £	Amounts owed by related parties £	Sale of goods £	Amounts owed by related parties £	Amounts owed by related parties £
	Period ending 30 June 2007			Period ending 30 June 2006		
A1 Holdings Ltd	-	-	45,014,681	-	-	6,825,766
A1 Grand Prix Hospitality Ltd	-	1,993,968	-	-	-	11,001
A1 Grand Prix Events Ltd	-	744,456	-	-	594,258	-
A1 Grand Prix (Australia) Pty Ltd	-	1,088,305	-	-	-	-
A1 Grand Prix Productions Limited	-	7,871,554	-	1,244,444	-	-
Lyndhurst Racing	2,666,197	1,878,322	-	-	1,363,448	-

A1 Holdings Limited is a related party of the company as it controls the company. A1 Grand Prix Hospitality Ltd, A1 Grand Prix Events Ltd, A1 Grand Prix (Australia) Pty Ltd and A1 Grand Prix Productions Limited are related parties of the company because they are under common control with the company. Lyndhurst Racing is a related party of the company as Mr Tony Teixeira holds a significant interest in both companies.



## **A1 Grand Prix Operations Limited**

### **Notes to the financial statements**

#### **Fourteen month period ended 30 June 2007**

**13. Related party transactions (continued)**

Sales of goods to related parties were made at the company's usual list prices

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

**14. Ultimate controlling party**

The immediate parent and ultimate controlling party respectively of the Group is A1 Holdings Limited (incorporated in the British Virgin Islands). The largest and smallest group the Company is consolidated into is A1 Holdings Limited.