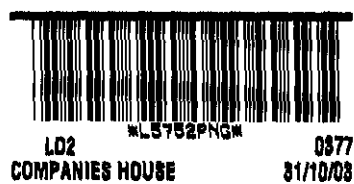


Registered Number 787446

British American Racing GP Limited  
Annual report  
for the 13 month period to 31 December 2002



# **British American Racing GP Limited**

## **Annual report for the 13 month period to 31 December 2002**

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**Directors' report for the 13 month period to 31 December 2002**

The directors present their report and the audited financial statements of the company for the 13 month period to 31 December 2002.

**Principal activity**

The principal activity of the company is the design, development, manufacture, test and racing of Formula One motor racing cars.

**Review of business and future developments**

The profit and loss account for the year is set out on page 4.

The directors consider that the trading performance of the company was in line with expectations, given that 2002 saw a major restructure of the company following the appointment of the new management team in the first quarter. Progress has been made through the establishment of a new organisation structure based on clear accountability and a focus on core skills, the strengthening of the design and engineering capability and improved business processes. The directors believe that the changes made in 2002 provide the basis for improved future performance in terms of both trading and sporting results.

**Dividends**

The directors do not recommend payment of a dividend (30 November 2001: £Nil).

**Research and development**

The company's research and development activities are discussed in note 1.

**Directors**

The directors of the company at 31 December 2002, all of whom have been directors for the whole of the period then ended, unless otherwise stated, are listed below:

C Pollock	
N Fry	(Appointed 30 July 2002)
N Kerr	(Appointed 30 July 2002)
D Richards	(Appointed 21 May 2002)

A J Reynard and A Young who were directors on 1 January 2002 resigned on 21 May 2002 and 30 July 2002, respectively.

**Directors' interests**

None of the directors who held office at the end of the year had any interest in the share capital of the company. The interests of C Pollock and A J Reynard in the shares of other group companies are disclosed in the group accounts of the company's parent company, British American Racing (Holdings) Limited.

**Donations**

During the period the company made charitable donations amounting to \$14,443 (30 November 2001: \$62,647).

**Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 6 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the 13 month period to 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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. 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.

**Auditors**

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned and the directors appointed its successor PricewaterhouseCoopers LLP. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'N Kerr', written over a horizontal line.

N Kerr  
Company Secretary

## Independent auditors' report to the members of British American Racing GP Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

### 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 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 transactions is not disclosed.

We read the other information contained in the annual report and 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 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 at 31 December 2002 and of its loss for the 13 month period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Reading

30th October 2003

**Profit and loss account for the 13 month period to 31 December 2002**

	Note	13 month period to 31 December 2002 US \$'000	Year ended 30 November 2001 US \$'000
Turnover	2	78,564	66,030
Administrative expenses		(128,461)	(109,534)
<b>Operating loss</b>		<b>(49,897)</b>	<b>(43,504)</b>
Bank interest receivable		155	343
Interest payable and similar charges	5	(1,491)	(1,211)
<b>Loss on ordinary activities before taxation</b>	2, 6	<b>(51,233)</b>	<b>(44,372)</b>
Tax on loss on ordinary activities	7	-	-
<b>Loss for the financial period</b>	17	<b>(51,233)</b>	<b>(44,372)</b>

The results for the periods above are derived entirely from continuing operations.

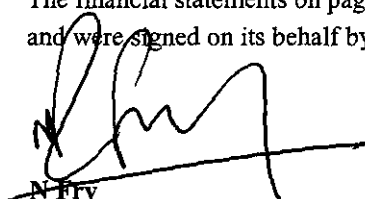
The company has no recognised gains and losses other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the periods stated above and their historical cost equivalents.

## Balance sheet as at 31 December 2002

	Note	13 month period to 31 December 2002 US \$'000	Year ended 30 November 2001 US \$'000
<b>Fixed assets</b>			
Tangible assets	8	21,299	21,644
Investments	9	-	-
		<b>21,299</b>	<b>21,644</b>
<b>Current assets</b>			
Stock	10	4,247	2,651
Debtors	11	9,428	6,261
Cash at bank and in hand		125	136
Cash on restricted deposit	12	858	2,543
		<b>14,658</b>	<b>11,591</b>
<b>Creditors – Amounts falling due within one year</b>	13	<b>(42,495)</b>	<b>(40,965)</b>
<b>Net current liabilities</b>		<b>(27,837)</b>	<b>(29,374)</b>
<b>Total assets less current liabilities</b>		<b>(6,538)</b>	<b>(7,730)</b>
<b>Creditors – Amounts falling due after more than one year</b>	14	<b>216,417</b>	<b>163,992</b>
<b>Capital and reserves</b>			
Called-up share capital	16	-	-
Share premium account	17	84	84
Profit and loss account (deficit)	17	(223,039)	(171,806)
<b>Equity shareholders' funds (deficit)</b>	18	<b>(222,955)</b>	<b>(171,722)</b>
		<b>(6,538)</b>	<b>(7,730)</b>

The financial statements on pages 4 to 16 were approved by the board of directors on 29 October 2003 and were signed on its behalf by:

  
N. Fry  
Director

## Notes to the financial statements for the 13 month period to 31 December 2002

### 1 Principal accounting policies

The financial statements have been prepared under the historical cost convention, and in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### Basis of accounting

British American Racing (Holdings) Limited, the ultimate parent company has indicated that it will make available such funds as are necessary to allow the company to continue trading for the foreseeable future and consequently the financial statements have been prepared on a going concern basis. The ability of British American Racing (Holdings) Limited to give this support assumes the continued financial support of its shareholders and the directors consider that it is appropriate to prepare the financial statements on this basis.

#### Change of year end

During the year the company extended its year end to 31 December. Accordingly the results are for the 13 month period ended 31 December 2002. The comparatives are for the year ended 30 November 2001.

#### New accounting standards

FRS 19 (Deferred Tax) has been adopted in the current year. This did not result in any changes being made to the deferred taxation provided in the financial statements since the recoverability of the unrecognised deferred tax assets could not be foreseen with certainty as per the prior year (see note 15).

#### Foreign currencies

The directors consider United States of America Dollars ("US\$") to be the functional currency of the company and the local currency as defined in SSAP 20 "Foreign Currency Translation". Accordingly these financial statements are presented in US \$. At 31 December 2002, the exchange rate to £ Sterling was 1.6099 (30 November 2001: 1.4238).

Assets and liabilities in foreign currencies are translated into US \$ at rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into US \$ at the rate of exchange ruling at the date of the transaction. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

#### Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is provided so as to write off the cost of tangible fixed assets, using the following rates and bases to reduce by annual instalments the cost, less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold buildings	8.33
Plant and machinery	25
Fixtures and equipment, computer equipment	20-25
Motor and commercial vehicles	20-25

Freehold land is not depreciated.



**Stocks**

Stock is stated at the lower of cost and net realisable value. All the costs incurred on raw materials and components acquired in respect of the next years car are included in stock and are expensed in the year in which full race testing of the car commences.

**Finance and operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership are treated as if the asset had been purchased outright. The assets are included in tangible fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of change on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful life of equivalent owned assets.

**Deferred taxation**

Provision is made for deferred taxation, using the full provision method, on all material timing differences. Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain.

**Research and development**

Research and development expenditure is written off in the period in which it is incurred. The activities of the company are all dedicated towards the design and development of a car to compete successfully in Formula One motor racing. Accordingly it is not possible to quantify separately the costs relating to this aspect of the company's activities.

**Turnover**

Turnover, which excludes value added tax and trade discounts represents the invoiced value of goods and services supplied, sponsorships, prize money and other income relating to the company's principal activity, arising in the period and for which collectability is assured.

**Related parties**

FRS 8 'Related Party Disclosures' requires the disclosure of the details of material transactions between the reporting entity and any related parties. The company has not disclosed transactions with other group companies in accordance with the exemption in FRS 8 paragraph 3(c).

**Cash flow**

The company is a wholly owned subsidiary of British American Racing (Holdings) Limited and the cash flows of the company are included in the consolidated cash flow statement of British American Racing (Holdings) Limited. Consequently the company is exempt under the terms of FRS 1 'Cash Flow Statements' from publishing a cash flow statement.

**Pension scheme**

The company does not operate a pension scheme. The company provides no other post retirement benefits to its employees.

## 2 Turnover and loss on ordinary activities before taxation

The turnover and loss on ordinary activities before taxation are wholly attributable to its principal activity arising in the United Kingdom.

## 3 Directors' emoluments

	13 month period to 31 December 2002 US \$'000	Year ended 30 November 2001 US \$'000
Aggregate emoluments	430	1,228
Sums paid to third parties for directors' services	74	180
Compensation for loss of office	1,200	-

	13 month period to 31 December 2002 US \$'000	Year ended 30 November 2001 US \$'000
Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments	267	815

The above details of directors' emoluments do not include the emoluments of Mr Richards which are paid to a third party in which Mr Richards has an interest. Whilst Mr Richards has been a director, an amount of \$1,485,000 (2001: £nil) has been paid to the third party for management services received and it is not possible to identify separately the amount of Mr Richards' emoluments.

## 4 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

By activity	13 month period to 31 December 2002 Number	Year ended 30 November 2001 Number
Design, manufacturing and engineering	352	316
Administration	41	43
	393	359

	13 month period to 31 December 2002 US \$'000	Year ended 30 November 2001 US \$'000
Staff costs (for the above persons)		
Wages and salaries	28,652	22,925
Social security costs	2,930	2,198
	31,582	25,123

## 5 Interest payable and similar charges

	13 month period to 31 December 2002 US \$'000	Year ended 30 November 2001 US \$'000
Interest payable on bank loans and overdraft	1,491	1,133
Interest payable on finance leases	-	78
	1,491	1,211

**6 Loss on ordinary activities before taxation**

	13 month period to 31 December 2002 US \$'000	Year ended 30 November 2001 US \$'000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation for the period on tangible fixed assets:		
- owned assets	4,751	2,638
- leased assets	230	1,314
Auditors' remuneration:		
- audit services	56	37.5
- non-audit services	86	35
Exceptional redundancy and severance costs (see below)	2,289	-
Hire of plant and machinery	477	1,310
Hire of other assets	2,930	8,046

The exceptional redundancy and severance costs relate to the cost of a redundancy programme undertaken largely in March 2002 together with compensation for loss of office paid to directors.

**7 Tax on loss on ordinary activities**

The company has estimated taxation losses available to be carried forward of approximately US \$201 million (30 November 2001: US \$167 million) which will be available to reduce future taxable income. These losses have not yet been agreed with the tax authorities.

## 8 Tangible fixed assets

	Freehold land and buildings US \$'000	Plant and machinery US \$'000	Fixtures and equipment US \$'000	Computer equipment US \$'000	Motor vehicles US \$'000	Total US \$'000
<b>Cost</b>						
At 1 December 2001	18,491	442	2,654	10,070	349	32,006
Additions	-	1,458	1,253	1,248	677	4,636
Disposals	-	-	-	-	-	-
<b>At 31 December 2002</b>	<b>18,491</b>	<b>1,900</b>	<b>3,907</b>	<b>11,318</b>	<b>1,026</b>	<b>36,642</b>
<b>Depreciation</b>						
At 1 December 2001	2,555	146	646	6,953	62	10,362
Charge for the period	1,204	387	933	2,272	185	4,981
<b>At 31 December 2002</b>	<b>3,759</b>	<b>533</b>	<b>1,579</b>	<b>9,225</b>	<b>247</b>	<b>15,343</b>
<b>Net book amount</b>						
<b>At 31 December 2002</b>	<b>14,732</b>	<b>1,367</b>	<b>2,328</b>	<b>2,093</b>	<b>779</b>	<b>21,299</b>
<b>Net book amount</b>						
At 30 November 2001	15,936	296	2,008	3,117	287	21,644

The net book amount of assets held under finance leases and capitalised within computer equipment amounts to US \$Nil at 31 December 2002 (2001: US \$1,031,000).

## 9 Fixed asset investments

British American Racing GP Limited purchased Advantage CFD Limited during the year for £1 in cash.

### Interests in subsidiary undertakings

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of shares held	Principal activities
Advantage CFD Limited	Great Britain	Ordinary shares of £1 each	100%	Dormant

**10 Stock**

	31 December 2002 US \$'000	30 November 2001 US \$'000
Raw materials and components	4,247	2,651

**11 Debtors**

	31 December 2002 US \$'000	30 November 2001 US \$'000
<b>Amounts falling due within one year</b>		
Trade debtors	1,902	1,873
Other taxation	1,500	1,737
Prepayments and accrued income	6,026	2,651
	9,428	6,261

**12 Cash on restricted deposit**

The cash on restricted deposit of US \$858,000 (30 November 2001: US \$2,543,000) represents money held as security in respect of payments to be made on operating leases. In addition the company has given security to the lessor by way of fixed and floating charges over certain assets of the company.

**13 Creditors – Amounts falling due within one year**

	31 December 2002 US \$'000	30 November 2001 US \$'000
Bank loans and overdraft (secured see note 14)	14,784	20,962
Trade creditors	10,432	5,644
Obligations under finance leases	-	77
Other taxation and social security	955	935
Accruals and deferred income	16,324	13,347
	<b>42,495</b>	<b>40,965</b>

**14 Creditors – Amounts falling due after more than one year**

	31 December 2002 US \$'000	30 November 2001 US \$'000
Bank loans and overdraft (secured)	-	610
Amounts owed to group undertakings	216,417	153,382
Deferred income	-	10,000
	<b>216,417</b>	<b>163,992</b>

**Bank loans and overdraft**

	31 December 2002 US \$'000	30 November 2001 US \$'000
<b>Repayable as follows:</b>		
In one year or less	14,784	20,962
Between one and two years	-	610
Between two and five years	-	-
	<b>14,784</b>	<b>21,572</b>

The bank loans and overdraft are secured by cross guarantees by group undertakings and by guarantees from the group shareholders.

## Obligations under finance leases

	31 December 2002 US \$'000	30 November 2001 US \$'000
In one year or less	-	77

## 15 Deferred taxation

Deferred taxation provided in the financial statements and the amount unrecognised of the total potential liability/(asset) are as follows:

	Amounts provided		Amount not recognised	
	2002 US \$'000	2001 US \$'000	2002 US \$'000	2001 US \$'000
<b>Tax effect of timing differences because of:</b>				
Excess of capital allowances over depreciation	-	1,234	(1,918)	-
Losses	-	(1,234)	(60,421)	(48,967)
	-	-	(62,339)	(48,967)

## 16 Called-up share capital

	31 December 2002 US \$	30 November 2001 US \$
<b>Authorised</b>		
1,000 ordinary shares of £1 each	1,685	1,685
<b>Allotted, called-up and fully paid</b>		
111 ordinary shares of £1 each	187	187



**17 Reserves**

	Share premium account US\$'000	Profit and loss account (deficit) US\$'000
At 1 December 2001	84	(171,806)
Loss for the year	-	(51,233)
At 31 December 2002	84	(223,039)

**18 Reconciliation of movement in shareholders' funds (deficit)**

	31 December 2002 US \$'000	30 November 2001 US \$'000
Loss for the financial year	(51,233)	(44,372)
Opening shareholders' funds (deficit)	(171,722)	(127,350)
Closing shareholders' funds (deficit)	(222,955)	(171,722)

**19 Financial commitments**

At 31 December 2002 there were annual commitments under non-cancellable operating leases as follows:

	31 December 2002		30 November 2001	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases expiring within one year	-	-	-	-
Leases expiring between two and five years	-	2,369	-	2,833
	-	2,369	-	2,833

**20 Contingent liabilities**

The company has guaranteed the bank and other borrowings of fellow group undertakings which at 31 December 2002 amounted to US \$88,012 (30 November 2001: US \$574,354).

**21 Related party transactions**

Name of connected parties	Description of relationship	Description of transactions	Value of transactions during the period US \$'000	Amounts owed by/(to) related parties at 31 December 2002 US \$'000
Mr A J Reynard	Director	Purchases of goods from companies controlled by Mr A J Reynard or which were controlled by Mr A J Reynard prior to being placed in receivership	2,478 (2001: 4,047)	(805) (2001: (191))
B.A.T. (Westminster House) Limited and its fellow group undertakings	Significant shareholder	Total sponsorship income	32,000 (in addition \$10 million recognised in respect of amounts advanced in previous years) (2001: 30,000)	Nil (2001: Nil)
		Purchase of goods/services	1,183 (2001: 2,135)	(719) (2001: (1,022))
		Sale of goods/services	1,087 (2001: 2,245)	25 (2001: 697)

**22 Ultimate parent company and controlling party**

The directors regard British American Racing (Holdings) Limited, a company incorporated in Great Britain as the ultimate parent company and the controlling party. According to the register kept by the company, British American Racing (Holdings) Limited has a 100% interest in the equity share capital of British American Racing GP Limited at 31 December 2002. Copies of the parent's consolidated financial statements may be obtained from The Secretary, British American Racing (Holdings) Limited, British American Racing Operations Centre, Brackley, Northants, NN13 7BD, United Kingdom.