

Financial Statements Force India Formula One Team Limited (formerly Spyker F1 Team Limited)

For the Year ended 31 December 2007

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COMPANIES HOUSE

Company No. 02417588

Officers and professional advisers

Company registration number	02417588
Registered office	Force India Formula One Team Dadford Road Silverstone Northamptonshire NN12 8TJ
Directors	Dr Colin Kolles Michiel Mol Dr T V Lakshmi Kanthan
Bankers	Fortis Bank UK Branch Bank House 18 Cherry Street Birmingham B2 5AL
Solicitors	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditor Grant Thornton House 202 Silbury Boulevard Central Milton Keynes MK9 1LW

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Report of the directors (continued)

The directors present their report and the financial statements of the company for the year ended 31 December 2007.

Results and dividends

The loss for the period after taxation amounted to £12,496,000 (2006: £9,037,000). The directors do not recommend the payment of a dividend (2006: £nil).

Principal activities and review of the business

The principal activity of the company during the year continued to be the operation of a Formula 1 team.

On 5 October 2007 the company and its parent undertaking were sold to Orange India Holdings Sarl, a company incorporated in Luxembourg.

On 31 October 2007 the company changed its name from Spyker F1 Team Limited to Force India Formula One Team Limited.

The results for the year under review reflect a period of transition following the acquisition by Orange India Holdings Sarl.

Under the new ownership and management, the company has been restructured to enable the team to move forward with its design, development and manufacturing capabilities. These changes have provided a firm foundation for the Formula One World Championship, providing major improvements both in house and track-side.

During its inception, the company has attracted new sponsorship, and now boasts a newly formed partnership with Reebok, provider for all team race wear. EADS also joins in partnership with Force India, bringing our in-house aerospace facilities to another level. High level investments during 07 & 08 have improved our wind tunnel facilities to 50% capacity, earmarking our commitment for the future.

Looking to the future the directors believe that there are good prospects for 2009. The introduction of the new FIA regulations have transformed the development and design ethics of the car, providing scope and opportunities to all teams. The introduction of the major partnership with McLaren Applied Technologies and Mercedes-Benz High Performance Engines provides a ground-breaking technical partnership, there are high expectations for continued technical development and on track performances for the 2009 season. The company continues to rebuild the team for the future, with a clear ambition for podium finishes before the proposed Indian Grand Prix in 2011. The sponsorship markets within the Far East sector appears to be more buoyant, with many more interested parties than there have been during the inception of the Force India team. The directors continue to work to do everything necessary to ensure the future and long-term success of the company, its staff, suppliers and customers

Directors

The directors who served the company during the period were as follows:

Richard Borsboom (resigned 19 March 2009)
Dr Colin Kolles
Michiel Mol
Oedithnarain Jaharia (resigned 1 July 2007)

Report of the directors (continued)

Victor Roberto Muller (resigned 5 October 2007)
Dr T V Lakshmi Kanthan was appointed director on 9 January 2009.

Going concern

The accounts have been prepared on the going concern basis as it is anticipated that the owners will continue to support the operation of the company as a Formula 1 team for the foreseeable future.

Principal risks and uncertainties

Running a Formula 1 team results in a number of specific risks and uncertainties. Such risks and uncertainties include the fluctuation in revenue caused by the availability of major sponsors and the television money for distribution between the various teams. Coupled with this is the need to produce rule compliant and competitive cars, plus operate the team throughout the season, which requires significant investment. Accordingly this can cause cash flow difficulties and losses if sufficient revenue is not obtained. This is managed through the active pursuit of all revenue opportunities underpinned by the support of the ultimate parent undertaking.

Other risks and uncertainties concern the future of the championship and the position of the team given new entrants which can further impact revenue streams.

Financial risk management objectives and policies

The company uses various financial instruments which include loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below. The main risks arising from the company's financial instruments are interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and for future investment.

Interest rate risk

The group finances its operations through a mixture of bank borrowings and inter-company loans. The company is exposed to interest rate fluctuations on the bank borrowings. Interest costs are routinely reviewed and available options assessed in order to manage the risk. The balance sheet includes trade debtors and creditors which do not attract interest and are therefore subject to fair value interest rate risk.

Credit risk

The company's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited. The principal credit risk arises therefore from its trade debtors. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Report of the directors (continued)

Research and development

The company continues its programme of research and development at the forefront of the automotive and aerodynamic fields. We will invest in our own chassis to stay a constructor in the Formula 1 competition.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes 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 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 with that of other employees.

Employee involvement

The company maintains a policy of regularly providing all employees with information of the company's performance.

Creditor payment policy

The company takes its opportunity to be an excellent business partner and in that perspective the company has the policy to keep in close contact with all partners and arrange payments schedules with all of them individually.

Charitable donations

During the year, the company made charitable donations of £Nil (2006: £4,084)

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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. In preparing these 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Report of the directors (continued)

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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



Director
Dr T V Lakshmi Kanthan

3 April 2009

Report of the independent auditor to the members of Force India Formula One Team Limited

We have audited the financial statements of Force India Formula One Team Limited for the year ended 31 December 2007 which comprise the principal accounting policies, the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and notes 1 to 20. 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 auditor's 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 auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with 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 Report of the Directors 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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 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.

Report of the independent auditor to the members of Force India Formula One Team Limited (continued)

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 the company's loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Emphasis of matter

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in the accounting policies relating to the company's ability to continue as a going concern. The company incurred a net loss of £12,496,000 during the year ended 31 December 2007 and, at that date, the company's liabilities exceeded its total assets by £47,032,000. These conditions indicate that the continued support of the company's ultimate parent, Orange India Holdings Sarl is necessary if the business is to continue as a going concern. The lack of publicly available information about that entity gives rise to a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.



GRANT THORNTON UK LLP
Registered Auditor
Central Milton Keynes

3 April 2009

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable UK accounting standards. The particular accounting policies adopted are described below and remain unchanged from the previous period.

Going concern

The financial statements are prepared on a going concern basis, which assumes that the company will continue to operate for the foreseeable future.

The company is dependent on expected and existing sponsorship contracts and TV revenues from Formula One Management ("FOM"). The appropriateness of the going concern basis is dependent upon the company securing sufficient levels of sponsorship, or alternative sources of finance, to allow it to continue to operate.

Orange India Holdings Sarl. has confirmed that it will provide the company with sufficient funds to enable the company to meet its liabilities as they fall due for a period of at least 12 months from the date of signature of these financial statements. Accordingly the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from this going concern basis of preparation being inappropriate.

Cash flow statement

As the company is a wholly owned subsidiary of a parent company which produces consolidated financial statements in which the company is included and which are publicly available the company has taken advantage of the exemption in Financial Reporting Standard 1 (Revised 1996) not to prepare a cash flow statement.

Turnover

Turnover represents the amounts (excluding value added tax) derived from sponsorship and promotional income, prize money and bonus payments. Turnover is included on an invoiced basis apportioned to the relevant race season.

Barter transactions

Where sponsorship is paid for by the provision of goods or services, turnover and costs are recognised in the financial statements where the market value of the goods or services may be readily ascertained. Where a value cannot be readily ascertained, neither turnover nor costs are recognised.

Research and development expenditure

Development costs are written off against profits in the year in which they are incurred.

Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal installments over their estimated useful economic lives as follows:

Freehold buildings	2% per annum
Leasehold land and buildings	life of lease
Leasehold improvements	4-20% per annum reducing balance
Plant and equipment	10-30% per annum reducing balance
Road vehicles	20% per annum reducing balance
Computer equipment	4 years

Freehold land is not depreciated

Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profit represents the contributions payable to the scheme in respect of the accounting year.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Accounting policies (continued)

Financial instruments

Derivative instruments utilised by the company are forward exchange contracts. The company does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the company in line with the company's risk management policies.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred. Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Profit and loss account

	Note	2007 £000	2006 £000
Turnover	1	29,079	37,282
Cost of sales		(32,213)	(35,781)
Gross profit		<u>(3,134)</u>	<u>1,501</u>
Administrative expenses		(7,666)	(9,121)
Other operating income		-	-
Operating loss	2	<u>(10,800)</u>	<u>(7,620)</u>
Interest receivable and similar income	5	-	18
Interest payable and similar charges	6	(1,696)	(1,435)
Loss on ordinary activities before taxation		<u>(12,496)</u>	<u>(9,037)</u>
Tax on loss on ordinary activities		-	-
Loss for the financial period	14	<u>(12,496)</u>	<u>(9,037)</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The accompanying accounting policies and notes form part of these financial statements.

Statement of total recognised gains and losses

	2007 £000	2006 £000
Loss for the period	(12,496)	(9,037)
Prior year adjustment	-	(1,332)
Total loss recognised since last annual report	<u>(12,496)</u>	<u>(10,369)</u>

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	2007 £000	2006 £000
Fixed assets			
Tangible assets	8	11,188	10,569
Current assets			
Stocks	9	116	377
Debtors	10	6,181	12,059
Cash in hand		509	313
		<u>6,806</u>	<u>12,749</u>
Creditors: amounts falling due within one year	11	<u>(13,831)</u>	<u>(56,339)</u>
Net current liabilities		<u>(7,025)</u>	<u>(43,590)</u>
Total assets less current liabilities		4,163	(33,021)
Creditors: amounts falling due after more than one year	12	<u>(51,195)</u>	<u>(1,515)</u>
Net liabilities		<u>(47,032)</u>	<u>(34,536)</u>
Capital and reserves			
Called-up equity share capital	13	10	10
Profit and loss reserve	14	<u>(47,042)</u>	<u>(34,546)</u>
Equity shareholders' deficit		<u>(47,032)</u>	<u>(34,536)</u>

These financial statements were approved by the directors and authorised for issue on 3 April 2009,
and are signed on their behalf by:



Director
Dr T V Lakshmi Kanthan

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Turnover

Turnover and loss on ordinary activities were derived from the principal activity of the company. All turnover arose in the UK and relates to continuing activities.

Turnover includes barter transactions amounting to £190,000 (2006: £506,000).

2 Operating loss

Operating loss is stated after charging/(crediting):

	2007 £000	2006 £000
Depreciation of fixed assets - owned	1,323	1,875
Depreciation of fixed assets - leased	398	185
Impairment of tangible fixed assets	-	1,054
Hire of plant and machinery	85	148
Loss on disposal of fixed assets	-	46
Research and development expenditure	19,223	10,426
Write off of amounts due to group undertakings	(13,101)	-
Auditors' remuneration:		
- Audit of financial statements	25	70
- Other services relating to taxation	2	-
- Other services	-	85
Net gain on foreign currency translation	(561)	(140)

During the year amounts due to entities previously deemed as group undertakings of £13,101,000 were forgiven. These amounts were credited to cost of sales.

3 Employee remuneration

	2007 £000	2006 £000
Wages and salaries	7,855	9,873
Social security costs	911	1,345
Pension costs	250	196
	<u>9,016</u>	<u>11,414</u>

3 Employee remuneration (continued)

The average number of persons employed by the company (including directors) during the period was as follows:

	2007 £000	2006 £000
Production	88	81
Design	83	78
Race team and testing	43	39
Administration	40	40
	<u>254</u>	<u>238</u>

4 Directors

Remuneration in respect of directors was as follow:

	2007 £000	2006 £000
Emoluments	<u>41</u>	<u>291</u>

Emoluments of highest paid director:

	2007 £000	2006 £000
Total emoluments (excluding pension contributions)	<u>41</u>	<u>291</u>

No directors accrued benefits under company pension schemes (2006: none).

5 Interest receivable and similar income

	2007 £000	2006 £000
Bank interest receivable	-	9
Interest on corporation tax receivable	-	9
	-	-
	<u>-</u>	<u>18</u>

6 Interest payable and similar charges

	2007 £000	2006 £000
Bank overdraft	844	874
Interest on inter-company loans and other loans	618	490
Finance lease and hire purchase interest	234	71
	<u>1,696</u>	<u>1,435</u>

7 Taxation

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2006 : 30%).

The differences are explained as follows:

	2007 £000	2006 £000
Loss on ordinary activities before taxation	(12,496)	(9,037)
Loss on ordinary activities by rate of tax	(3,748)	(2,711)
Expenses not deductible for tax purposes	875	873
Depreciation in excess of capital allowances	516	268
Enhance R&D qualifying expenditure	(712)	(712)
Utilisation of tax losses	3,069	2,282
Total current tax	-	-

The company has unprovided deferred tax assets of approximately £13.4m (2006: £10.4m) relating to trading losses that are available for carry forward against future trading profits. given the uncertainty as to the company's ability to utilise these losses the directors have not recognised any related deferred tax asset.

8 Tangible fixed assets

	Freehold land & buildings £000	Plant, equipment, fixtures and road vehicles £000	Computer equipment £000	Total £000
Cost				
At 1 January 2007	6,375	11,745	4,705	22,825
Additions	478	1,089	773	2,340
At 31 December 2007	6,853	12,834	5,478	25,165
Depreciation				
At 1 January 2007	2,600	5,191	4,465	12,256
Charge for the period	197	1,319	205	1,721
At 31 December 2007	2,797	6,510	4,670	13,977
Net book value				
At 31 December 2007	4,056	6,324	808	11,188
At 31 December 2006	3,775	6,554	240	10,569

8 Tangible fixed assets (continued)

Included within the net book value of £11,118,000 is £1,898,000 (2006: £1,025,000) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £398,000 (2006: £185,000).

Freehold land and buildings includes £2,062,000 (2006: £2,062,000) of land which is not depreciated.

9 Stocks

	2007 £000	2006 £000
Spares and parts	<u>116</u>	<u>377</u>

10 Debtors

	2007 £000	2006 £000
Trade debtors	459	33
Other debtors	3,084	3,247
Prepayments and accrued income	2,638	6,083
Amounts owed by group undertakings	-	2,696
	<u>6,181</u>	<u>12,059</u>

11 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Overdrafts	-	9,383
Trade creditors	5,313	3,327
Amounts owed to group undertakings	-	39,158
Other taxation and social security	2,689	1,119
Amounts due under finance leases	363	395
Other creditors	842	211
Accruals and deferred income	4,624	2,746
	<u>13,831</u>	<u>56,339</u>

12 Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Amounts owed to group undertakings	48,000	-
Amounts due under finance leases	1,647	71
Other creditors	1,548	1,444
	<u>51,195</u>	<u>1,515</u>

The amount owed to group undertakings represents an interest free loan received from the parent company for which there is no fixed repayment date.

13 Share capital

	2007 £000	2006 £000
Authorised: 10,000 ordinary shares of £1 each	<u>10</u>	<u>10</u>
Allotted and called up: 10,000 ordinary shares of £1 each	<u>10</u>	<u>10</u>

14 Reconciliation of movements in shareholders' funds

	Profit and Loss account £000
As at 1 January 2007	(34,546)
Loss for the financial period	(12,496)
As at 31 December 2007	<u>(47,042)</u>

15 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements net of future finance lease charges are as follows:

	2007 £000	2006 £000
Finance leases and hire purchase agreements are analysed as follows:		
Due within 1 year	468	434
Due within 2 - 5 years	1,827	84
Due in more than 5 years	<u>309</u>	<u>-</u>
	2,604	518
Less: finance charges allocated to future period	<u>(593)</u>	<u>(52)</u>
	<u>2,011</u>	<u>466</u>

16 Commitments under operating leases

The annual commitments under non-cancellable operating leases are as follows:

	2007		2006	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
<i>Leases which expire:</i>				
Within one year	-	42	-	16
Within two to five years	-	-	-	127
	<u>-</u>	<u>42</u>	<u>-</u>	<u>143</u>

17 Pensions

The company contributed to defined contribution schemes for the benefit of some employees. The assets of the scheme are administered by trustees in funds independent from those of the group contributions paid during the year amounted to £250,000 (2006: 197,000).

18 Related party transactions

Kodewa GmbH & Co is a company in which Dr C Kolles, a director, may be considered interested. During the year invoices were raised from Kodewa GmbH & Co totalling £644,000 (2006: £504,000) in respect of the services of Dr C Kolles and recharges from Kodewa of expenses incurred on behalf of the company.

19 Ultimate controlling party

On 5 October 2007 the company and its parent undertaking were sold to Orange India Holdings Sarl, a company incorporated in Luxembourg which is now considered by the directors to be the ultimate parent undertaking and controlling party.

Prior to 5 October 2007, the immediate parent undertaking was Spyker F1 Limited and the ultimate parent undertaking and controlling party was Spyker Cars N V, a company incorporated in the Netherlands. A copy of their accounts, in which the company was consolidated is available from www.spykercars.com.

20 Contingent liabilities

The company has received certain invoices for commission from Kodewa GmbH & Co, a company in which Dr C Kolles, a director, may be considered interested. The total value of the invoices is US\$578,310 and €834,447. Payment of these invoices is disputed by the company because the board have been informed by the previous owner of the company, Spyker Cars N.V. and a previous director of the company that the company had no agreement to pay Kodewa GmbH & Co the amounts claimed in the invoices at the time they are alleged to have been earned. Spyker Cars N.V. has given an indemnity in respect of losses incurred by the company if a claim is brought in relation to these invoices. No amounts have been provided in the financial statements in relation to these invoices.