

Jordan Grand Prix Limited

Directors' report and financial statements

31 December 1996

Registered number 2417588



Jordan Grand Prix Limited

Directors' report and financial statements

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Jordan Grand Prix Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

Principal activities

The principal activity of the company is the management and promotion of a Formula One race team and the design, development and manufacture of Formula One race cars.

Business review

The results for the year ending 31 December 1996 are set out on page 5 of the accounts.

The company has performed successfully during the year despite operating in an extremely competitive industry. On-track performance has reinforced the company's position as one of the world's leading Formula One motor racing teams.

Off track the company has secured significant sponsorship for the forthcoming seasons, developing its relationships with its principal sponsors.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend. The profit for the year retained in the company is £1,971,000.

Directors and directors' interests

The directors who held office during the year were as follows:

EP Jordan
MP Jordan

Both the directors had the following beneficial interest in the ordinary shares of the holding company as recorded in the register of directors' share and debenture interests:

Company	Shares	Interest at end of year	Interest at beginning of year
Eddie Jordan Holdings Limited	Ordinary shares of £1	1,000	1,000

Jordan Grand Prix Limited

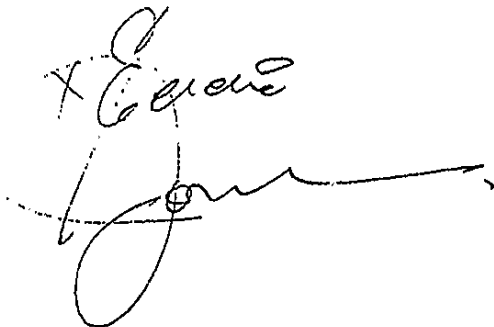
Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

EP Jordan
Director

A handwritten signature in black ink, appearing to read 'EP Jordan', with a large 'X' written over the top part of the signature.

X

Dadford Road
SILVERSTONE
Northants
NN12 8TJ

Jordan Grand Prix Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 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, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining 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 have general responsibility for taking such steps as are reasonably open to them to safeguard assets of the company and to prevent and detect fraud and other irregularities.



Arlington Business Park
Theale
Reading RG7 4SD

Report of the auditors to the members of Jordan Grand Prix Limited

We have audited the financial statements on pages 5 to 22.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

5 August 1997



Jordan Grand Prix Limited

Profit and loss account for the year ended 31 December 1996

	Note	1996 £'000	1995 £'000
Turnover	2	20,423	15,021
Cost of sales		(13,073)	(10,129)
Gross profit		7,350	4,892
Administrative expenses		(4,160)	(3,732)
Operating profit		3,190	1,160
Interest receivable and similar income	6	109	44
Interest payable and similar charges	7	(205)	(6)
Profit on ordinary activities before taxation	2-5	3,094	1,198
Tax on profit on ordinary activities	8	(1,123)	(365)
Profit on ordinary activities after taxation and retained profit for the financial year		1,971	833

The cumulative effect of the prior year adjustment on the results of the current and preceding periods is disclosed in note 21.

Jordan Grand Prix Limited

Statement of total recognised gains and losses

For the year ended 31 December 1996

	1996 £'000	1995 £'000
Profit for the financial year	1,971	833
Total recognised gains and losses relating to the financial year	<u>1,971</u>	<u>833</u>
Prior year adjustment (see note 21)	815	-
Total gains and losses recognised since last annual report	<u>2,786</u>	<u>833</u>

Jordan Grand Prix Limited

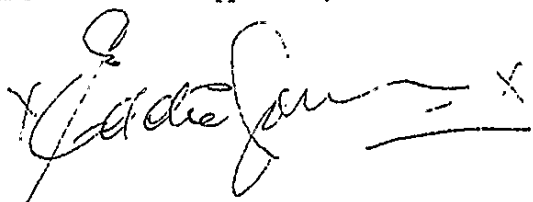
Balance sheet at 31 December 1996

	Note	1996	1995 as restated
		£'000	£'000
Fixed assets			
Tangible assets	9	3,760	1,846
Investments	10	29	29
		<u>3,789</u>	<u>1,875</u>
Current assets			
Stocks	11	1,426	777
Debtors	12	1,318	2,177
Cash at bank and in hand		4,882	2,183
		<u>7,626</u>	<u>5,137</u>
Creditors: amounts falling due within one year	13	<u>(7,990)</u>	<u>(5,630)</u>
Net current liabilities		<u>(364)</u>	<u>(493)</u>
Total assets less current liabilities		<u>3,425</u>	<u>1,382</u>
Creditors: amounts falling due after more than one year	14	-	(18)
Provisions for liabilities and charges	15	<u>(155)</u>	<u>(65)</u>
Net assets		<u>3,270</u>	<u>1,299</u>
Capital and reserves			
Called up share capital	16	10	10
Profit and loss account	17	3,260	1,289
		<u>3,270</u>	<u>1,299</u>

The cumulative effect of the prior year adjustment on the results of the current and preceding periods is disclosed in note 21.

These financial statements were approved by the board of directors on 31 July 1997 and were signed on its behalf by:

EP Jordan
Director



KPMG

Jordan Grand Prix Limited

Cash flow statement

For the year ended 31 December 1996

	Note	1996 £'000	1995 as restated £'000
Net cash inflow from operating activities	20	7,139	6,300
Returns on investments and servicing of finance	20	109	28
Taxation		(654)	(45)
Capital expenditure	20	(3,877)	(1,473)
Financing	20	(18)	(2,022)
		<hr/>	<hr/>
Increase in cash		2,699	2,788
		<hr/>	<hr/>

Jordan Grand Prix Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. A prior year adjustment has been reflected in these financial statements. Further information is detailed within note 21.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold land and buildings	-	life of lease	
Plant and equipment	-	3 to 5 years	20-30% per annum
Road vehicles	-	5 years	20% per annum
Race cars	-		100% in the year of completion

The depreciation policy for race cars is to write off the cost of the race cars in full in the year of completion which corresponds to the season in which the cars are raced in the Formula One championship.

Race cars are capitalised at the cost (including development costs and labour costs) to develop and build the cars to enter the first race of the coming season. The amount capitalised is based on the stage of completion of the cars at 31 December. Costs incurred once the season has started are written off to the profit and loss account. Direct race costs are included in cost of sales.

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.

Pensions

The company operates a defined contribution pension scheme for the benefit of the directors. 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.

Jordan Grand Prix Limited

Notes (continued)

1 Accounting policies (continued)

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Research and development expenditure

Development costs have been capitalised as part of the cost of the race cars.

Stocks

Stocks represent parts and spares held to complete construction of the race cars for the coming season and to service and maintain the race cars during the season.

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

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.

Jordan Grand Prix Limited

Notes (continued)

2 Analysis of turnover and profit on ordinary activities before taxation

Turnover and profit on ordinary activities were derived from the principal activity of the company.

3 Profit on ordinary activities before taxation

	1996 £'000	1995 £'000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	24	13
Other services	120	22
Depreciation and other amounts written off tangible fixed assets	1,963	2,078
Exchange losses	5	18
Gain on disposal of assets	(27)	(20)
Hire of plant and machinery - rentals payable under operating leases	67	-
Hire of land and buildings - operating lease	252	210

Jordan Grand Prix Limited

Notes (continued)

4 Remuneration of directors

	1996 £'000	1995 £'000
Directors' emoluments:		
Salary and benefits	649	198
Bonus	999	-
Pension contributions	149	299
	<u>1,797</u>	<u>497</u>

The emoluments, excluding pension contributions, of the chairman and highest paid director were £1,648,000 (1995:£198,000).

The emoluments, excluding pension contributions, of the directors (including the chairman) were within the following ranges:

	Number of directors	
	1996	1995
£0 - £5,000	-	1
£35,001 - £40,000	1	-
£195,001 - £200,000	-	1
£1,645,001 - £1,650,000	1	-
	<u>1</u>	<u>-</u>

Jordan Grand Prix Limited

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1996	1995
Production	36	29
Design	19	9
Race team and testing	24	20
Administration	11	11
	<u>90</u>	<u>69</u>

The aggregate payroll costs of these persons were as follows:

	1996	1995
	£'000	£'000
Wages and salaries	4,237	1,869
Social security costs	276	189
Pension costs	149	299
	<u>4,662</u>	<u>2,357</u>

The company does not contribute to a pension scheme for its employees, other than to its directors' pension scheme.

6 Interest receivable and similar income

	1996	1995
	£'000	£'000
Bank interest	<u>109</u>	<u>44</u>

Jordan Grand Prix Limited

Notes (continued)

7 Interest payable and similar charges

	1996 £'000	1995 £'000
On bank loans, overdrafts and other loans wholly repayable within five years	-	6
Other interest and related charges	205	-
	<u>205</u>	<u>6</u>

8 Taxation

	1996 £'000	1995 £'000
UK corporation tax at 33% (1995:33%) on the taxable profit for the year	1,087	300
Deferred taxation	90	65
Adjustment relating to an earlier period	(54)	-
	<u>1,123</u>	<u>365</u>

Jordan Grand Prix Limited

Notes (continued)

9 Tangible fixed assets

	Land and buildings	Plant, equipment, fixtures and road vehicles	Computer equipment	Race cars	Total
	£,000	£'000	£'000	£'000	£'000
<i>Cost</i>					
At beginning of year	74	1,373	202	7,096	8,745
Additions	1,582	867	109	1,319	3,877
At end of year	1,656	2,240	311	8,415	12,622
<i>Depreciation and diminution in value</i>					
At beginning of year	63	979	162	5,695	6,899
Charge for year	2	149	23	1,789	1,963
At end of year	65	1,128	185	7,484	8,862
<i>Net book value</i>					
At 31 December 1996	1,591	1,112	126	931	3,760
At 31 December 1995	11	394	40	1,401	1,846

The net book value of land and buildings comprises:

	1996 £'000	1995 £'000
Freehold	988	-
Leasehold improvements	603	10
Short leasehold	-	1
	1,591	11

Jordan Grand Prix Limited

Notes (continued)

10 Fixed asset investments

	1996 £'000	1995 £'000
Other investments other than loans	<u>29</u>	<u>29</u>

11 Stocks

	1996 £'000	1995 £'000
Spares and parts	<u>1,426</u>	<u>777</u>

12 Debtors due within one year

	1996 £'000	1995 as restated £'000
Trade debtors	186	536
Other debtors	473	1,475
Prepayments and accrued income	<u>659</u>	<u>166</u>
	<u>1,318</u>	<u>2,177</u>

Included within other debtors are amounts owed by the managing director of £291,000 (1995: £1,290,000) as detailed within Notes 21 and 22. Additionally within other debtors are amounts owed by Global Sports Management Limited of £139,000 (1995: £nil) detailed within Note 22.

Jordan Grand Prix Limited

Notes (continued)

13 Creditors: amounts falling due within one year

	1996	1995 as restated
£'000	£'000	£'000
Trade creditors	2,015	2,182
Other creditors including taxation and social security:		
Other creditors	506	293
Corporation tax (note 21)	922	543
	<u>1,428</u>	<u>836</u>
Accruals and deferred income	4,547	2,612
	<u>7,990</u>	<u>5,630</u>

Bank overdraft facilities are secured by a first legal charge over the company's assets.

14 Creditors: amounts falling due after more than one year

	1996	1995
	£'000	£'000
Other loans	-	18
	<u>-</u>	<u>18</u>

Jordan Grand Prix Limited

Notes (continued)

15 Provisions for liabilities and charges

	Taxation including deferred taxation £'000
At beginning of year	65
Charge for the year in the profit and loss account	90
	<hr/>
At end of year	155
	<hr/>

The amounts provided for deferred taxation are set out below

	1996 Provided £'000	1995 Provided £'000
Difference between accumulated depreciation and capital allowances	155	65
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16 Called up share capital

	1996 £'000	1995 £'000
<i>Authorised</i>		
Ordinary shares of £1 each	10	10
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	10	10
	<hr/>	<hr/>

Jordan Grand Prix Limited

Notes (continued)

17 Reserves

	Profit and loss account £'000
At beginning of year	474
Prior year adjustment (see note 21)	815
	<hr/>
As restated	1,289
Profit for the year	1,971
	<hr/>
At end of year	3,260
	<hr/>

18 Commitments

- (i) There were no capital commitments at the end of the financial year for which provision had not been made.
- (ii) Annual commitments under non-cancellable operating leases are as follows:

	1996 Land and buildings £'000	1995 Land and buildings £'000
Operating leases which expire:		
Over five years	250	250
	<hr/>	<hr/>
	250	250
	<hr/>	<hr/>

Jordan Grand Prix Limited

Notes (continued)

20 Notes to the cash flow statement

i) Reconciliation of operating profit to net cash inflow from operating activities

	1996	1995 as restated
	£'000	£'000
Operating profit	3,190	1,160
Depreciation charges	1,963	2,078
Profit on sale of tangible fixed assets	-	(20)
(Increase)/decrease in stocks	(649)	(521)
(Increase)/decrease in debtors	(140)	(1)
Increase/(decrease) in creditors	2,775	3,604
Net cash inflow from operating activities	<u>7,139</u>	<u>6,300</u>

ii) Reconciliation of net cash flow to movement in net funds/(debt)

	1996	1995 as restated
	£'000	£'000
Increase in cash in the period and change in net debt	2,699	2,788
Net funds/(debt) at beginning of the year	<u>2,183</u>	<u>(605)</u>
Net funds at end of year	<u>4,882</u>	<u>2,183</u>

Jordan Grand Prix Limited

Notes (continued)

20 Notes to the cash flow statement (continued)

iii) Gross cash flows

	1996 £'000	1995 as restated £'000
Returns on investments and servicing of finance		
Interest received	109	37
Interest paid	-	(9)
	<u>109</u>	<u>28</u>
Capital expenditure		
Purchase of other assets	-	(29)
Payments to acquire tangible fixed assets	(2,558)	(287)
Production of race cars	(1,319)	(2,632)
Payments from sale of tangible fixed assets	-	1,475
	<u>(3,877)</u>	<u>(1,473)</u>
Financing		
Repayment of bank loans	-	(590)
Repayment of loan	(18)	(1,450)
Proceeds of other loans	-	18
	<u>(18)</u>	<u>(2,022)</u>

iv) Analysis of changes in net debt

	At beginning of year £'000	Cash flows £'000	At end of year £'000
Cash in hand, at bank	<u>2,183</u>	<u>2,699</u>	<u>4,882</u>

Jordan Grand Prix Limited

Notes *(continued)*

21 Prior year adjustment

During the year, income of £1,290,000 was identified as having been received on behalf of Jordan Grand Prix Limited by the managing director in the years 1991 to 1994. This has been reflected in these financial statements by recognising a debtor due from the managing director which totalled £291,000 at the year end with an associated tax liability shown in creditors of £475,000. Brought forward reserves as of 1 January 1995 have therefore increased by £815,000.

22 Related party disclosures

The income referred to above in note 21 related to the four years to 31 December 1994. At 31 December 1996 this amount had not been repaid by the managing director and is included within other debtors.

Global Sports Management Limited is a company registered in Jersey. It is related to Jordan Grand Prix Limited by common control. During the year net sponsorship income of £139,000 was receivable from Global Sports Management Limited. This amount is included within other debtors. At 31 December 1996 the managing director owed Global Sports Management Limited £85,000.

23 Immediate and ultimate parent company

The company is a wholly owned subsidiary undertaking of Eddie Jordan Holdings Limited, a private limited company registered in the Isle of Man.

The Anna Livia No. 1 Settlement is the ultimate controlling party. This trust fund is settled in Guernsey.