

Company Registration No. 3915200

A1 Grand Prix Operations Limited

Report and Financial Statements

1 February 2005 to 30 April 2006



A1 Grand Prix Operations Limited

Report and financial statements 2006

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A1 Grand Prix Operations Limited

Report and financial statements 2006

Officers and professional advisers

Director

Antonio Carlos Guedes Teixeira

Secretary

Benedicte Mercer

Registered Office

190-192 Sloane Street
London
SW1 9QX

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

A1 Grand Prix Operations Limited

Director report

The director present the annual report and the audited financial statements for the period from 1 February 2005 to 30 April 2006

During the period the company changed its accounting reference date from 31 January to 30 April

Principal activities and business review

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

In addition to the traditional Motorsport fan base, A1GP attracts a new audience passionate about their country and heritage. After a successful launch in 2004, and closing the year with over 84 million worldwide total audience, the series is now entering into its third season

Dividends

The director does not recommend payment of a dividend for the period (2005 £nil)

Directors and their interests

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

J F Wickham	(resigned 20 February 2006)
Sheikh Maktoum Hasher Al Maktoum	(appointed 8 July 2005, resigned 6 December 2006)
Antonio Carlos Guedes Teixeira	(appointed 8 July 2005)

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

Deloitte & Touche LLP were appointed auditors during the period and 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

4th September 2007

A1 Grand Prix Operations Limited

Statement of director 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

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 period ended 30 April 2007 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The director's responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union 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 if, in our opinion, the information given in the Director Report is not consistent with the financial statements, 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.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with those IFRSs as adopted for use in the European Union, of the state of the company's affairs as at 30 April 2006 and of its loss for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

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

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

4 September 2007

A1 Grand Prix Operations Limited

Profit and loss account

For the period from 1 February 2005 to 30 April 2006

		Period from 1 February 2005 to 30 April 2006 £	Year ended 31 January 2005 £
	Note		
Revenue		2,275,188	-
Cost of sales		(3,984,706)	-
Gross loss		(1,709,518)	-
Operating expenses		(12,647,691)	-
Operating loss		(14,357,209)	-
Investment revenue		37	-
Finance Costs		(28,217)	-
Loss on ordinary activities before tax	2	(14,385,389)	-
Tax on loss on ordinary activities	4	-	-
Retained loss for the financial period		(14,385,389)	-

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 gains and losses has been presented

A1 Grand Prix Operations Limited

Balance sheet At 30 April 2006

	Note	30 April 2006 £	31 January 2005 £
Fixed assets			
Tangible assets	5	1,169,682	-
Current assets			
Stocks	6	915,043	-
Debtors	7	4,033,899	1
Cash at bank and in hand		265,184	-
		5,214,126	1
Creditors: amounts falling due within one year	8	(20,769,196)	-
Net liabilities		(14,385,388)	1
Capital and reserves			
Called up share capital	10	1	1
Retained earnings	11	(14,385,389)	-
Shareholder's deficit	11	(14,385,388)	1

These financial statements were approved and signed by the Director on 4th September 2007

Antonio Carlos Guedes Teixeira

Director

A1 Grand Prix Operations Limited

Cash flow statement

For the period from 1 February 2005 to 30 April 2006

		Period from 1 February 2005 to 30 April 2006 £	Year ended 31 January 2005 £
	Note		
Cash flows from operating activities	12	(15,048,212)	-
Net cash utilised in operating activities		(15,048,212)	-
Cash flows from investing activities			
Interest received		37	-
Payments for property, plant and equipment		(1,815,369)	-
Net cash used in investing activities		(1,815,332)	-
Cash flows from financing activities			
Proceeds from borrowings		17,156,945	-
Interest paid		(28,217)	-
Net cash generated by financing activities		17,128,728	-
Net increase in cash and cash equivalents		265,184	-
Cash and cash equivalents at beginning of the period		-	-
Cash and cash equivalents at end of the period		<u>265,184</u>	<u>-</u>

A1 Grand Prix Operations Limited

Notes to the financial statements

For the period from 1 February 2005 to 30 April 2006

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 has received the support of its shareholders in order to fund its activities for the first two successful seasons of A1 GP. On 29 May 2007 and 19 July 2007, the group received additional funding of \$10 million and \$12 million respectively, from RAB Special Situations (Master) Fund Limited ("RAB"). It was agreed with RAB on 19 July 2007 to consolidate \$88.8 million (plus interest) of loan notes into a single consolidated loan note, leaving \$11 million outstanding as a result of the previous two funding rounds of 29 May and 19 July 2007 which are convertible into shares (but do not attract interest).

Nevertheless the ability of the group to operate successfully in the future continues to be dependent on the future success of the series and on its ability to raise additional finance from its existing shareholders or others. Until additional funding is raised, the ability of the group to continue as a going concern remains a material uncertainty. Should the group not be able to continue as a 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 it is their intent to provide sufficient funds for the group to be able to meet its obligations as and when they fall due. Accordingly, the accounts 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	3 years
Plant and machinery	3 years
Fixtures and equipment	3 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

For the period from 1 February 2005 to 30 April 2006

2 Loss on ordinary activities before taxation

	Period from 1 February 2005 to 30 April 2006 £	Year ended 31 January 2005 £
Is stated after charging		
Depreciation on owned tangible fixed assets	645,687	-
Auditors' remuneration	20,000	-

3. Information regarding directors and employees

	Period from 1 February 2005 to 30 April 2006 No	Year ended 31 January 2005 No
Average number of persons employed		
Operations	12	-
Sales and administration	14	-
	26	-
	£	£
Staff costs during the period (including directors)		
Wages and salaries	1,175,990	-
Social security costs	244,647	-
Pension costs	-	-
	1,420,637	-

A1 Grand Prix Operations Limited

Notes to the financial statements

For the period from 1 February 2005 to 30 April 2006

4. Tax on loss on ordinary activities

(a) Analysis of tax charge for the period

	Period from 1 February 2005 to 30 April 2006 £	Year ended 31 January 2005 £
Current tax:		
UK corporation tax	-	-
Adjustment in respect of prior years	-	-
	<hr/>	<hr/>
Total current tax	-	-
	<hr/>	<hr/>
Total deferred tax	-	-
	<hr/>	<hr/>
Tax on loss on ordinary activities	<hr/> - <hr/>	<hr/> - <hr/>

(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

	£	£
Tax on loss on ordinary activities at standard rate 30% (2005 30%)	(14,385,389)	-
Tax at 30% thereon	4,315,617	-
Effects of		
Expenses not deductible for tax purposes	(532,001)	-
Generation of tax losses	(3,783,616)	-
	<hr/>	<hr/>
Current tax	-	-
	<hr/> <hr/>	<hr/> <hr/>

A deferred tax asset of £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

For the period from 1 February 2005 to 30 April 2006

5. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Fixtures and equipment £	Total £
Cost				
At 1 February 2005	-	-	-	-
Additions	84,895	1,537,015	193,459	1,815,369
At 30 April 2006	84,895	1,537,015	193,459	1,815,369
Accumulated depreciation				
At 1 February 2005	-	-	-	-
Charge for the period	28,298	548,397	68,992	645,687
At 30 April 2006	28,298	548,397	68,992	645,687
Net book value				
At 30 April 2006	56,597	988,618	124,467	1,169,682
At 31 January 2006	-	-	-	-

6 Stocks

	30 April 2006 £	31 January 2005 £
Stocks	915,043	-

7 Debtors

	30 April 2006 £	31 January 2005 £
Amount receivable for sale of goods	744,125	-
Other debtors	4,000	1
Deposits	23,101	-
Amounts owed by group undertakings	1,526,859	-
Other receivables	1,363,448	-
Other taxation and social security	372,366	-
	4,033,899	1

A1 Grand Prix Operations Limited

Notes to the financial statements

For the period from 1 February 2005 to 30 April 2006

8. Creditors: amounts falling due within one year

	30 April 2006 £	31 January 2005 £
Amounts owed to group undertakings	6,933,756	-
Trade creditors	3,350,346	-
Accruals and deferred income	261,905	-
Unsecured		
Lyndhurst Limited (note 9)	10,000,967	-
Tony Clements (note 9)	222,222	-
	<u>20,769,196</u>	<u>-</u>

9 Borrowings

The loans as per note 8 are interest free, and no terms for repayment have been set

10 Called up share capital

	30 April 2006 £	31 January 2005 £
Authorised:		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Called up, allotted and fully paid.		
1 ordinary share of £1	<u>1</u>	<u>1</u>

11. Reconciliation of movements in shareholder's deficit

	Period from 1 February 2005 to 30 April 2006 £	Year ended 31 January 2005 £
Shareholder's funds at start of period	1	1
Loss for the financial period	<u>(14,385,389)</u>	<u>-</u>
Shareholder's funds at end of period	<u>(14,385,388)</u>	<u>1</u>

A1 Grand Prix Operations Limited

Notes to the financial statements

For the period from 1 February 2005 to 30 April 2006

12 Reconciliation of operating profit to net cash outflow from operating activities

	Period from 1 February 2005 to 30 April 2006 £	Year ended 31 January 2005 £
Operating loss	(14,385,389)	-
Depreciation	645,687	-
Interest paid	28,217	-
Adjusted for items separately disclosed		
Investment revenue recognised in loss	(37)	-
Increase in debtors	(4,033,899)	-
Increase in stock	(915,042)	-
Increase in creditors	5,139,111	-
Net cash outflow from operating activities	<u>(13,521,352)</u>	<u>-</u>

13. Related party transactions

Trading transactions

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

	<u>Sale of goods</u> <u>Period from</u> <u>1 February</u> <u>2005 to</u> <u>30 April</u> <u>2006</u> £	<u>Amounts</u> <u>owed by</u> <u>related</u> <u>parties</u> <u>30 April</u> <u>2006</u> £	<u>Amounts</u> <u>owed to</u> <u>related</u> <u>parties</u> <u>30 April</u> <u>2006</u> £
A1 Holdings Ltd	-	-	6,825,766
A1 Grand Prix Hospitality Ltd	-	-	11,001
A1 Grand Prix Events Ltd	-	594,258	-
A1 Management Services (Pty) Ltd	-	-	96,988
A1 Grand Prix Productions Limited	-	932,601	-
Lyndhurst Limited	-	-	10,000,966
Tony Clements	-	-	222,222
Lyndhurst Racing	<u>1,244,444</u>	<u>1,363,448</u>	<u>-</u>

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 Management Services (Pty) Ltd and A1 Grand Prix Productions Limited are related parties of the company because they are under common control with the company. Tony Clements is a related party of the company as he is a member of the key management personnel. Lyndhurst Limited and Lyndhurst Racing are related parties of the company as Mr Tony Teixeira holds a significant interest in each company.

A1 Grand Prix Operations Limited

Notes to the financial statements

For the period from 1 February 2005 to 30 April 2006

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 are A1 Holdings Limited (incorporated in the British Virgin Islands) and A1 Grand Prix LLC (registered in Dubai). The largest and smallest group the Company is consolidated into is A1 Holdings Limited.

15. Post balance sheet events

On 6 December 2006 RAB Special Situations (Master) Fund Limited became the ultimate controlling party of the Group.

As at 30 April 2006, the majority of the registered intellectual property rights, including trade marks, used by the Group were registered in the name of Dubai International Holding Limited, a company beneficially owned by the Company's principal shareholder at that time, His Highness Sheikh Maktoum bin Hasher al Maktoum.