

**Jordan Grand Prix Limited**

**Directors' report and financial  
statements**

**Registered number 2417588**

**31 December 2001**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

### Principal activity

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 ended 31 December 2001 are set out on page 5 of the accounts.

The 2001 season was another disappointing season for the Design and Race Team. Having secured a works engine supply contract with Honda Motor Company for the 2001 season, the Jordan Honda Team finished 5<sup>th</sup> in the FIA Formula One World Constructors' Championship, which represented a slight improvement on the 2000 season. The problems identified were largely reliability problems encountered with the cars throughout the season. The disappointment at finishing 5<sup>th</sup> continues to reflect Jordan's real ambitions to win the FIA Formula One World Championship.

The company remains profitable although has had to restrict some of its operations for the short term future due to a fall in projected revenues for 2002. However the company does not believe that this will have a detrimental effect on the team's performance on the track. The company will continue to invest in the design and manufacture of the car, technology, facilities and its people.

The development of the Brand and Internet strategies has continued and progressed well. Costs of supporting these strategies in terms of funding and guarantees are included in these financial statements.

As a result of the continued development and growth of the company, operating expenditure has increased on last year by £10.9m. However, total revenue has also increased by £8.4m, resulting in an operating profit of £3.0m (2000: £5.4m) for the year.

### Proposed dividend and transfer to reserves

The directors paid a dividend of £nil (2000: £nil) in the year. The profit for the year retained in the company and transferred to reserves is £1,693,000 (2000: profit £3,925,000).

### Employees

Information on the costs and number of employees is provided in note 5 to the financial statements.

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

It is company policy to consider all applicants for employment in the light of their abilities, skills and medical status to ensure that they may perform their functions without risk to their health or that of others. An employee becoming disabled is, where appropriate, offered retraining.

**Directors' report** *(continued)*

**Directors and directors' interests**

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

EP Jordan  
MP Jordan  
D Shorthouse  
J Schull

EP Jordan and MP Jordan have the following beneficial interest in the ordinary shares of group companies as recorded in the register of directors' share and debenture interests:

Company	Shares	Interest at beginning and end of year
Jordan Grand Prix Holdings Limited	Ordinary shares of £1	1,002

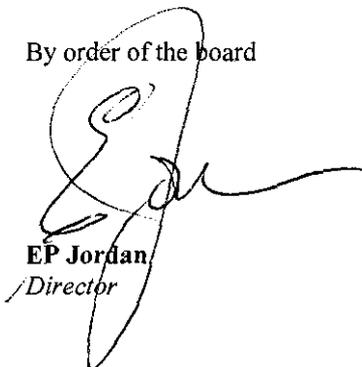
**Donations**

During the year, the company donated £88,000 (2000: £104,000).

**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

Dadford Road  
Silverstone  
Northants  
NN12 8TJ

## 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 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 keeping 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 the assets of the company and to prevent and detect fraud and other irregularities.



Arlington Business Park  
Theale  
Reading RG7 4SD

## **Independent report of the auditors to the members of Jordan Grand Prix Limited**

We have audited the financial statements on pages 5 to 18.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 with the company is not disclosed.

### **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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants  
Registered Auditors

11 April 2002

**Profit and loss account**  
*for the year ended 31 December 2001*

	<i>Note</i>	<b>2001</b>	<b>2000</b>
		<b>£000</b>	<b>£000</b>
<b>Turnover</b>	2,3	<b>68,058</b>	59,622
Cost of sales	3	<b>(52,080)</b>	(43,990)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>15,978</b>	15,632
Administrative expenses		<b>(13,020)</b>	(10,233)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>2,958</b>	5,399
Interest receivable and similar income	6	<b>331</b>	269
Interest payable and similar charges	7	<b>(93)</b>	(87)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	3-5	<b>3,196</b>	5,581
Tax on profit on ordinary activities	8	<b>(1,503)</b>	(1,656)
		<hr/>	<hr/>
<b>Retained profit for the year</b>		<b>1,693</b>	3,925
		<hr/> <hr/>	<hr/> <hr/>

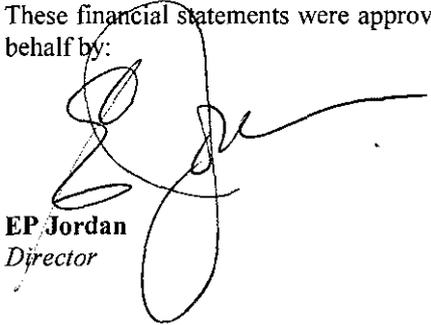
The profit and loss account shows all the gains and losses recognised in the current and preceding years.

## Balance sheet

At 31 December 2001

	Note	2001		2000	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	9		16,533		8,535
Investments	10		29		29
			<u>16,562</u>		<u>8,564</u>
<b>Current assets</b>					
Stocks	11	6,124		4,146	
Debtors	12	17,922		16,116	
Cash at bank and in hand		-		6,561	
		<u>24,046</u>		<u>26,823</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(28,488)</u>		<u>(27,584)</u>	
<b>Net current liabilities</b>			<u>(4,442)</u>		<u>(761)</u>
<b>Total assets less current liabilities</b>			<u>12,120</u>		<u>7,803</u>
<b>Creditors: amounts falling due after more than one year</b>	14		<u>(1,523)</u>		<u>(433)</u>
<b>Provisions for liabilities and charges</b>	15		<u>(1,973)</u>		<u>(439)</u>
<b>Net assets</b>			<u>8,624</u>		<u>6,931</u>
<b>Capital and reserves</b>					
Called up share capital	16		10		10
Profit and loss account			8,614		6,921
<b>Equity shareholders' funds</b>	18		<u>8,624</u>		<u>6,931</u>

These financial statements were approved by the board of directors on 21 MARCH 2002 and were signed on its behalf by:

  
**EP Jordan**  
 Director

**Cash flow statement**  
*for the year ended 31 December 2001*

	<i>Note</i>	<b>2001</b> <b>£000</b>	2000 £000
Net cash (outflow)/inflow from operating activities	19	<b>(1,952)</b>	7,097
Returns on investments and servicing of finance	19	<b>328</b>	71
Tax paid		<b>(795)</b>	339
Capital expenditure	19	<b>(9,469)</b>	(1,397)
Financing	19	<b>(114)</b>	(159)
		<hr/>	<hr/>
(Decrease)/increase in cash		<b>(12,002)</b>	5,951
		<hr/> <hr/>	<hr/> <hr/>

## 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.

As the company is a wholly owned subsidiary of Jordan Grand Prix Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Jordan Grand Prix Holdings Limited, within which this company is included, can be obtained from the address given in 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:

Freehold land and 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

#### *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. 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.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **Leases**

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### **Research and development expenditure**

Development costs, other than any which are treated as work in progress, are written off against profits in the year in which they are incurred.

#### **Stocks**

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

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

Work in progress represents labour costs incurred in the design and build of race cars for the coming season, together with components assembled within finished or partly finished race cars.

#### **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.

### **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. All turnover arose in the U.K and relates to continuing activities.

Turnover includes barter transactions amounting to £2.4m (2000: £0.5m).

**Notes** *(continued)*

**3 Profit on ordinary activities before taxation**

	2001	2000
	£000	£000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Audit	26	25
Other services	184	230
Depreciation of tangible fixed assets:	1,798	1,476
Exchange loss/(gain)	182	(58)
Hire of plant and machinery	208	157
Hire of plant and machinery - operating lease	74	11
Hire of land and buildings - operating lease	125	250
Profit on disposal of Jordan brand asset	(306)	-
(Gain)/loss on disposal of tangible fixed assets	(27)	29
Exceptional item (see below)	1,857	-
	1,857	-

The exceptional item, included within cost of sales, represents amounts provided in respect of potential litigation.

**4 Remuneration of directors**

	2001	2000
	£000	£000
Directors' emoluments		
Salary and benefits	743	725
Bonus	205	195
	948	920

The emoluments of the chairman and highest paid director were £873,000 (2000: £845,000). No pension contributions were made on behalf of directors (2000: nil).

**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	
	2001	2000
Production	99	88
Design	71	59
Race team and testing	48	41
Administration	35	28
	253	216
	253	216

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£000	£000
Wages and salaries	10,021	8,070
Social security costs	1,056	868
Pension costs	268	140
	11,345	9,078
	11,345	9,078

**6 Interest receivable and similar income**

	2001	2000
	£000	£000
Bank interest	331	197
Other interest	-	72
	331	269
	331	269

**7 Interest payable and similar charges**

	2001	2000
	£000	£000
Bank loans and overdrafts	42	24
Finance lease charges	51	63
	93	87
	93	87

## Notes (continued)

### 8 Taxation

	2001	2000
	£000	£000
<i>Current tax</i>		
UK corporation tax at 30% (2000: 30%)	1,180	1,456
Adjustments in respect of previous periods	102	-
	1,282	1,456
<i>Deferred tax</i>		
Origination and reversal of timing differences	107	200
Adjustments in respect of previous periods	114	-
	221	200
	1,503	1,656

### 9 Tangible fixed assets

	Assets in the course of construction	Land and buildings	Plant, equipment, fixtures and road vehicles	Computer equipment	Total
	£000	£000	£000	£000	£000
<i>Cost</i>					
At beginning of year	-	3,143	6,941	3,670	13,754
Additions	358	6,218	2,710	558	9,844
Disposals	-	(62)	(90)	-	(152)
Reclassifications	-	(20)	20	-	-
	358	9,279	9,581	4,228	23,446
	358	9,279	9,581	4,228	23,446
<i>Depreciation</i>					
At beginning of year	-	318	3,361	1,540	5,219
Charge for year	-	185	1,042	571	1,798
Disposals	-	(62)	(42)	-	(104)
Reclassifications	-	(11)	11	-	-
	-	430	4,372	2,111	6,913
	-	430	4,372	2,111	6,913
<i>Net book value</i>					
At 31 December 2001	358	8,849	5,209	2,117	16,533
	358	8,849	5,209	2,117	16,533
At 31 December 2000	-	2,825	3,580	2,130	8,535
	-	2,825	3,580	2,130	8,535

The costs of land and buildings included £4,138,000 (2000: £3,143,000) of depreciable assets.

Included in the total net book value of plant, equipment, fixtures and road vehicles is £444,000 (2000: £555,200) in respect of assets held under finance leases. Depreciation on these assets amounted to £111,000 (2000: £138,800).

**Notes** *(continued)*

**9 Tangible fixed assets** *(continued)*

The net book value of land and buildings comprises:

	2001 £000	2000 £000
Freehold land and buildings	8,849	1,798
Leasehold improvements	-	1,027
	8,849	2,825
	8,849	2,825

**10 Fixed asset investments**

	2001 £000	2000 £000
Debentures	29	29
	29	29
	29	29

**11 Stocks**

	2001 £000	2000 £000
Spares and parts	832	1,008
Work in progress	5,292	3,138
	6,124	4,146
	6,124	4,146

**12 Debtors due within one year**

	2001 £000	2000 £000
Trade debtors	11,960	11,482
Other debtors	1,228	706
Prepayments and accrued income	4,734	3,928
	17,922	16,116
	17,922	16,116

Included in the above is £1,253,000 (2000: nil) due after more than one year.

**Notes (continued)**

**13 Creditors: amounts falling due within one year**

	2001		2000	
	£000	£000	£000	£000
Bank overdraft		5,441		-
Trade creditors		7,232		5,867
Obligations under finance leases		127		114
Other creditors including taxation and social security:				
Other creditors	479		1,026	
Corporation tax	1,047		560	
Other taxation and social security	376		1,019	
	<hr/>	1,902	<hr/>	2,605
Accruals and deferred income		13,786		18,998
		<hr/>		<hr/>
		<b>28,488</b>		<b>27,584</b>
		<hr/> <hr/>		<hr/> <hr/>

The bank overdraft is secured by a debenture against the assets of the company.

**14 Creditors: amounts falling due after more than one year**

	2001	2000
	£000	£000
Obligations under finance leases	306	433
Deferred income	1,217	-
	<hr/>	<hr/>
	<b>1,523</b>	<b>433</b>
	<hr/> <hr/>	<hr/> <hr/>

No finance lease obligations extend past 5 years.

**Notes (continued)**

**15 Provisions for liabilities and charges**

	Loan guarantee for related party £000	Deferred Taxation £000	Other £000	Total £000
At beginning of year	-	439	-	439
New provisions	625	221	688	1,534
At end of year	<u>625</u>	<u>660</u>	<u>688</u>	<u>1,973</u>

As guarantor for a loan made to E-Jordan Limited the company has made full provision for the loan as E-Jordan Limited is not currently in a position to be able to repay the loan.

Other provisions represents litigation in process against the company relating to a dispute with a contractor which alleges the company has restricted their ability to enjoy future earnings. The directors are of the opinion that the claim will be settled for an amount not more than that which is provided in these accounts. The information usually required by FRS 12 is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation.

In addition, the directors recognise that a further contingent liability exists in respect of this claim, but the directors' estimate of the financial effect of the contingent liability is not disclosed in these accounts for the reason stated above.

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2001		2000	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and capital allowances	<u>660</u>	<u>-</u>	<u>439</u>	<u>-</u>

**16 Called up share capital**

	2001	2000
	£000	£000
<i>Authorised</i>		
Ordinary shares of £1 each	<u>10</u>	<u>10</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>10</u>	<u>10</u>

**Notes (continued)**

**17 Commitments**

a) Annual commitments under non-cancellable operating leases are as follows:

	2001		2000	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
In the second to fifth years inclusive	-	228	-	11
Over five years	-	-	250	-
	-	228	250	11
	-	228	250	11

b) There are no capital commitments at the year end (2000: £306,400).

**18 Reconciliation of movements in shareholders' funds**

	2001 £000	2000 £000
Profit for the financial year	1,693	3,925
Shareholders' funds at beginning of year	6,931	3,006
Shareholders' funds at end of year	8,624	6,931

**19 Notes to the cash flow statement**

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

	2001 £000	2000 £000
Operating profit	2,958	5,399
Depreciation charge	1,798	1,476
Profit/(loss) on disposal of tangible fixed assets	(27)	29
Increase in stocks	(1,978)	(833)
Increase in debtors	(1,813)	(2,043)
(Decrease)/increase in creditors	(3,903)	3,569
Increase in provisions	1,313	-
Barter transactions relating to supply of fixed assets	(300)	(500)
Net cash (outflow)/inflow from operating activities	(1,952)	7,097

**Notes (continued)**

**19 Notes to the cash flow statement (continued)**

ii) Reconciliation of net cash flow to movement in net debt

	2001 £000	2000 £000
(Decrease) / increase in cash in the year	(12,002)	5,951
Cash outflow from financing lease	114	159
	(11,888)	6,110
Net debt at beginning of the year	6,014	(96)
	(5,874)	6,014
	(5,874)	6,014

iii) Gross cash flows

	2001 £000	2000 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	389	241
Interest paid	(10)	(107)
Interest element of finance lease paid	(51)	(63)
	328	71
	328	71
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(9,544)	(1,406)
Sale of proceeds of disposals of tangible fixed assets	75	9
	(9,469)	(1,397)
	(9,469)	(1,397)
<b>Financing</b>		
Capital element of finance lease repaid	(114)	(159)
	(114)	(159)
	(114)	(159)

iv) Analysis of changes in net debt

	At beginning of year £000	Cash flows £000	Non cash flows £000	At end of year £000
Cash at bank in hand	6,561	(12,002)	-	(5,441)
Finance lease due within one year	(114)	114	(127)	(127)
Finance lease due after one year	(433)	-	127	(306)
	6,014	(11,888)	-	(5,874)
	6,014	(11,888)	-	(5,874)

**Notes** *(continued)*

**20 Related party disclosures**

Jordan Grand Prix Limited is charged by Bunbury Aviation Limited for the use of its aircraft. This company is controlled by The Anna Livia No.4 Settlement.

Jordan Grand Prix Limited was charged by Dimona Limited for the lease of a building prior to its purchase during the year. This company is controlled by The Anna Livia No 6 Settlement.

Jordan Grand Prix Limited is charged by Fastnet Limited for the use of a boat. This company is controlled by The Anna Livia No. 6 Settlement, whose trustees are also the trustees of The Anna Livia No 4. Settlement.

The Company's website is operated by E-Jordan Limited. Development of the Jordan Brand is pursued by Jordan Brand Limited. Both companies have the same shareholders as Jordan Grand Prix Holdings.

Transactions during the period and balances at the end of the year with these companies are shown below

	Sales £000	Purchases £000	Debtor/(creditor) at year end £000	Provisions at year end £000
Bunbury Aviation Limited	-	630	(196)	-
Dimona Limited	-	6,225	-	-
Fastnet Limited	-	126	(5)	-
E-Jordan Limited	353	(4)	324	949
Jordan Brand Limited	608	221	287	-

A contingent liability exists in respect of a guarantee of a loan from a shareholder of the group to Jordan Brand Limited. The loan amounts to £625,000 and is repayable in 2006.

**21 Immediate and ultimate parent company**

The company is a wholly owned subsidiary undertaking of Jordan Grand Prix Holdings Limited, a private limited company registered in England and Wales. The consolidated accounts of the group may be obtained from Companies House, Crown Way, Cardiff, Wales, CF4 3UZ.

The Anna Livia No. 4 Settlement is the ultimate controlling party. This trust fund is settled in Guernsey.