

STEWART GRAND PRIX LIMITED
(Company No. 3120645)

REPORT AND ABBREVIATED ACCOUNTS

31ST DECEMBER 1997



STEWART GRAND PRIX LIMITED

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STEWART GRAND PRIX LIMITED

REPORT OF THE DIRECTORS

Directors: J Y Stewart OBE
P E Stewart
R L Armstrong
N C Newton

The directors submit their report and the audited accounts of the company for the year ended 31st December 1997.

DIRECTOR'S RESPONSIBILITIES

Company law requires the directors to prepare accounts 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 accounts, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable accounting standards subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 accounts 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.

PRINCIPAL ACTIVITY

The principal activity of the company during the year was the management of a formula one motor racing team.

RESULTS AND REVIEW OF THE BUSINESS

The results for the year are set out on page 4. The directors consider the results for the year be in line with expectations and the current state of affairs of the company to be satisfactory.

The Company has entered into arrangements comprising a lease over substantially larger premises and is in the process of relocating its activities to those premises.

The directors do not recommend the payment of a dividend.

STEWART GRAND PRIX LIMITED
REPORT OF THE DIRECTORS (Continued)

DIRECTORS

The names of the current directors are stated at the head of this report. All the directors served throughout the year except for N C Newton who was appointed on 21 March 1997.

None of the directors had a direct interest in the share capital of the company during the year under review.

TAXATION STATUS

The company is a close company within the meaning of the Income and Corporation Taxes Act 1988.

AUDITORS

Rawlinson & Hunter have expressed their willingness to remain auditors of the company and a resolution to reappoint them will be proposed at the Annual General Meeting.

Registered Office:
Eagle House
110 Jermyn Street
London SW1Y 6RH

19th March 1998

By order of the Board



N C NEWTON
Director

AUDITORS' REPORT TO
STEWART GRAND PRIX LIMITED
PURSUANT TO SECTION 247B
OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 4 to 14 together with the full financial statements of the company for the year ended 31 December 1997 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

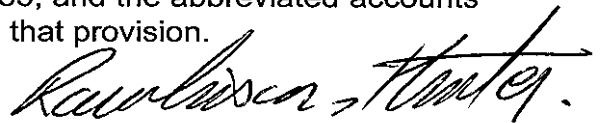
The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated accounts on pages 4 to 14 are properly prepared in accordance with that provision.



Rawlinson & Hunter
Chartered Accountants
Registered Auditor
London

19th March 1998

STEWART GRAND PRIX LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1997

	<u>Notes</u>	<u>1997</u>	<u>1996</u>
		£'000	£'000
GROSS PROFIT		4,282	948
Administrative costs		3,070	1,036
Other operating income		<u>330</u>	<u>-</u>
OPERATING PROFIT	2	1,542	(88)
Interest receivable and similar income		149	109
Interest payable and similar charges	5	<u>33</u>	<u>2</u>
		<u>116</u>	<u>107</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,658	19
Tax on profit on ordinary activities	6	<u>535</u>	<u>12</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14	<u><u>1,123</u></u>	<u><u>7</u></u>

The profit for the year is wholly attributable to continuing activities. There are no recognised gains or losses or movements in shareholders' funds other than the profit for the year, as shown in note 14.

The notes on pages 7 to 14 form part of these abbreviated accounts

STEWART GRAND PRIX LIMITED



ABBREVIATED BALANCE SHEET

31ST DECEMBER 1997

	<u>Notes</u>	<u>1997</u>	<u>1996</u>
		£'000	£'000
FIXED ASSETS			
Tangible assets	7	2,173	849
CURRENT ASSETS			
Stocks	8	527	518
Debtors	9	743	648
Cash at bank and in hand		4,738	968
		<u>6,008</u>	<u>2,134</u>
CREDITORS - amounts falling due within one year	10	<u>5,569</u>	<u>1,821</u>
NET CURRENT ASSETS		<u>439</u>	<u>313</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,612</u>	<u>1,162</u>
CREDITORS - amounts falling due in more than one year	11	470	143
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>12</u>	<u>12</u>
		<u>2,130</u>	<u>1,007</u>
CAPITAL AND RESERVES			
Called up share capital	13	1,000	1,000
Profit and loss account		<u>1,130</u>	<u>7</u>
SHAREHOLDERS' FUNDS	14	<u>2,130</u>	<u>1,007</u>

The abbreviated accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

Approved by the Board on 19th March 1998
and signed on its behalf by:



P E STEWART
N C NEWTON

The notes on pages 7 to 14 form part of these abbreviated accounts

STEWART GRAND PRIX LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 1997

	<u>Notes</u>	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Net cash inflow from operating activities	15a)	5,257	593
Returns on investments and servicing of finance	15b)	116	107
Capital expenditure and financial investment	15c)	(2,067)	(944)
Financing	15d)	464	1,212
Increase in cash		<u>3,770</u>	<u>968</u>
Reconciliation of net cash flow to movement in net cash			
Increase in cash		3,770	968
Net cash outflow to reduce debt		<u>160</u>	<u>22</u>
Change in net cash resulting from cash flows		3,930	990
New finance leases		<u>(624)</u>	<u>(234)</u>
Increase in net cash		3,306	756
Net cash 1 January 1997		<u>756</u>	<u>-</u>
Net cash 31 December 1997		<u>4,062</u>	<u>756</u>

The notes on pages 7 to 14 form part of these abbreviated accounts

STEWART GRAND PRIX LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
31ST DECEMBER 1997

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention.

Turnover

Turnover is wholly derived from the company's principal activity and is stated net of value added tax.

Depreciation

Provision for depreciation of tangible fixed assets, is made on the straight line basis at rates calculated to write off the cost of the assets, less their estimated residual values, over their expected working lives, which are considered to be:

Leasehold improvements	- over period of lease
Fixtures and fittings	- over remaining period of lease
Vehicles	- 3 - 4 years
Office and workshop equipment	- 3 - 5 years

Assets held under lease agreements

Tangible fixed assets acquired under finance leases are capitalised at cost and are written off over the shorter of their expected working lives, or, the lease term. The related finance charges are charged to the profit and loss account on bases appropriate to the terms of the agreements.

Payments under operating leases are charged to the profit and loss account on the straight line basis over the term of the lease.

Stocks and work in progress

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

Cost is defined as follows:

Raw materials, consumables, racing spares and race cars in the course of construction.	- Purchase price on a first in, first out basis
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Net realisable value is defined as the estimated selling price less all further costs to completion and estimated selling expenses.

STEWART GRAND PRIX LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
31ST DECEMBER 1997

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Provision for deferred taxation is made using the liability method in respect of all timing differences to the extent that it is probable a liability will crystallise in the foreseeable future.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are converted at the rate of exchange ruling at the date of the transaction. All translation differences are taken to the profit and loss account as they arise.

Development Expenditure

Development expenditure is charged to the profit and loss account as incurred.

2. OPERATING PROFIT

	1997 £'000	1996 £'000
Operating profit for the year was arrived at after charging:		
Depreciation on tangible fixed assets		
Owned	606	88
Held under finance lease	137	6
Operating lease rentals of:		
Land and buildings	265	57
Auditors' remuneration	<u>20</u>	<u>10</u>

3. DIRECTORS' EMOLUMENTS

The aggregate emoluments, including pension contributions, of the directors.

	<u>501</u>	<u>44</u>
Chairman and highest paid director	<u>260</u>	<u>24</u>

STEWART GRAND PRIX LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
31ST DECEMBER 1997

4. EMPLOYEES**1997****1996**

The average number, including directors, employed by the company during the year was as follows:

No. of employees

Design	19	15
Racing and Production	70	15
Administration	18	7
	<u>107</u>	<u>37</u>

The related staff costs amounted to:

£'000**£'000**

Wages and salaries	3,996	1,307
Social security costs	335	104
Pension costs	4	-
	<u>4,335</u>	<u>1,411</u>

The pension costs represent the amount paid to a director to contribute to his personal pension plan. The company does not operate a company pension scheme.

5. INTEREST PAYABLE AND SIMILAR CHARGES

Bank overdraft	3	-
Finance leases	30	2
	<u>33</u>	<u>2</u>

The bank overdraft is wholly repayable within five years.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge for tax comprises:

Corporation tax at 31.5% based on the results for the year	535	-
Deferred taxation at 31%	-	12
	<u>535</u>	<u>12</u>

STEWART GRAND PRIX LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
31ST DECEMBER 1997

7. TANGIBLE FIXED ASSETS

	Leasehold Improvements £'000	Motor Vehicles £'000	Office and workshop equipment £'000	Total £'000
Cost				
At 1 st January 1997	307	180	457	944
Additions	271	391	1,405	2,067
At 31 st December 1997	578	571	1,862	3,011
Depreciation				
At 1 st January 1997	51	6	38	95
Charge for year	268	193	282	743
At 31 st December 1997	319	199	320	838
Net book value				
At 31 st December 1997	259	372	1,542	2,173
At 31 st December 1996	256	174	419	849

The net book value of fixed assets includes an amount of £707,113 (1996 - £218,102) in respect of assets held under finance leases.

8. STOCKS

	1997 £'000	1996 £'000
Raw materials, consumables, racing spares and race cars in the course of construction	527	518

9. DEBTORS

Trade debtors	187	-
Other debtors	322	160
Prepayments and accrued income	234	488
	743	648

STEWART GRAND PRIX LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

31ST DECEMBER 1997

10. CREDITORS - amounts falling due within one year	1997 £'000	1996 £'000
Obligations under finance leases	206	69
Trade creditors	1,047	499
Corporation tax	535	-
Other taxes and social security	145	68
Other creditors	62	5
Accruals and deferred income	3,574	1,180
	<u>5,569</u>	<u>1,821</u>

The obligations under finance leases are secured over the related assets as disclosed in note 7.

11. CREDITORS - amounts falling due in more than one year

Obligations under finance leases	<u>470</u>	<u>143</u>
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The future minimum payments under finance leases to which the company is committed as at 31 December 1997 are as follows:

Within one year	253	84
Between two and five years	528	155
	<u>781</u>	<u>239</u>
Less finance charges allocated to future periods	(105)	(27)
	<u>676</u>	<u>212</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

Provision for deferred taxation at 31% comprises:

Tax allowances in excess of recorded depreciation	<u>12</u>	<u>12</u>
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13. CALLED UP SHARE CAPITAL

Authorised, allotted, called up and fully paid 1,000,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
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STEWART GRAND PRIX LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
31ST DECEMBER 1997

14. MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1997</u> £'000	<u>1996</u> £'000
Opening shareholders' funds	1,007	-
New share capital subscribed	-	1,000
Profit for the year	1,123	7
Closing shareholders' funds	<u>2,130</u>	<u>1,007</u>

15. NOTES TO THE CASH FLOW STATEMENT**a) Net cash inflow from operating activities**

Operating profit	1,542	(88)
Depreciation charges	743	94
Increase in stocks	(9)	(517)
Increase in debtors	(95)	(648)
Increase in creditors	3,076	1,752
Operating cash flows	<u>5,257</u>	<u>593</u>

b) Returns of investments and servicing of finance

Interest received	149	109
Interest paid	(3)	-
Interest element of finance lease rental payments	(30)	(2)
	<u>116</u>	<u>107</u>

c) Capital expenditure and financial investment

Purchase of tangible fixed assets	(2,067)	(944)
	<u>(2,067)</u>	<u>(944)</u>

STEWART GRAND PRIX LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
31ST DECEMBER 1997

15. NOTES TO THE CASH FLOW STATEMENT (continued)

	<u>1997</u> £'000	<u>1996</u> £'000
d) Financing		
Issue of ordinary share capital	-	1,000
Capital element of finance lease rental payments	(160)	(22)
Receipts from finance leases	624	234
	<u>464</u>	<u>1,212</u>

16. OPERATING LEASES

At 31st December 1997 the company was committed to making the following payments under non-cancellable operating leases in the year to 31st December 1998:

	<u>Land and buildings</u> £'000	<u>Other</u> £'000
Leases expiring:		
Between two and five years	-	1
Over five years	355	-

17. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided for in the accounts	-	103
Capital expenditure authorised by the board but not contracted for over the following five year	6,484	-

18. RELATED PARTY TRANSACTIONS

During the year the company entered into related party transactions with Paul Stewart Racing (UK) Limited and Objective Metric Indices (UK) Limited, companies of which P E Stewart, R L Armstrong and N C Newton are directors.

Transactions between the company, Paul Stewart Racing (UK) Limited and Objective Metric Indices (UK) Limited during the year all related to recharged expenses, on an arms length basis.

STEWART GRAND PRIX LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
31ST DECEMBER 1997

18. RELATED PARTY TRANSACTIONS (continued)

The amounts recharged were as follows:

	£
To the company by Paul Stewart Racing (UK) Limited	500,755
By the company to Objective Metric Indices (UK) Limited	27,078

In the year to 31 December 1996 administrative costs included a management charge of £240,000 from Paul Stewart Racing (UK) Limited.

Included within other creditors is £61,025 (1996: £4,090) payable to Paul Stewart Racing (UK) Limited and an amount of £8,278 (1996: £nil) included in other debtors receivable from Objective Metric Indices (UK) Limited.

The company also entered into related party transactions with Mark Stewart Productions Limited, a company of which the director is a close family member of certain directors of Stewart Grand Prix Limited.

Mark Stewart Productions Limited carried out promotional video work amounting to £13,000 (1996: £21,165). There was no outstanding balance at the year end (1996: £857).

19. ULTIMATE CONTROLLING PARTY

The ultimate beneficial owners of the company are the trustees of the Camshaft Settlement situated in Jersey.