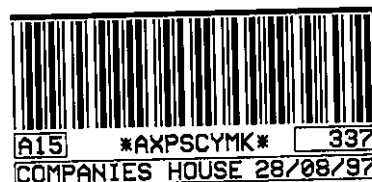


STEWART GRAND PRIX LIMITED
(Company No. 3120645)

REPORT AND ABBREVIATED ACCOUNTS

31ST DECEMBER 1996



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 period ended 31st December 1996.

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.

INCORPORATION

The company was incorporated on 1st November 1995 and commenced trading on 1 February 1996.

ISSUE OF SHARES

On incorporation 2 ordinary shares of £1 each were allotted at par to subscribers. On 18 April 1996, a further 999,998 ordinary shares of £1 each were issued at par to provide the initial working capital of the company.

PRINCIPAL ACTIVITY

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

STEWART GRAND PRIX LIMITED
REPORT OF THE DIRECTORS (Continued)

RESULTS AND REVIEW OF THE BUSINESS

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

The directors do not recommend the payment of a dividend.

DIRECTORS

The names of the current directors are stated at the head of this report.

None of the directors who served during the period and listed below had a direct interest in the share capital of the company any time during the period under review.

	<u>Appointed</u>
J Y Stewart OBE	1.11.95
P E Stewart	1.11.95
R L Armstrong	1.11.95

N C Newton was appointed a director on 21 March 1997.

FIXED ASSETS

Movements in tangible fixed assets are stated in note 7.

TAXATION STATUS

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

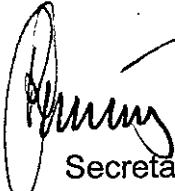
AUDITORS

Rawlinson & Hunter were appointed the first auditors to the company and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board

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

21 March 1997


 Secretary

RAWLINSON & HUNTER

CHARTERED ACCOUNTANTS

EAGLE HOUSE 110 JERMYN STREET LONDON SW1Y 6RH

STEWART GRAND PRIX LIMITED**REPORT OF THE AUDITORS****TO THE DIRECTORS****PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8****TO THE COMPANIES ACT 1985**

We have examined the abbreviated accounts on pages 4 to 12 together with the full accounts of Stewart Grand Prix Limited for the period ended 31st December 1996. The scope of our work for the purpose of this report was limited to confirming that the directors are entitled to deliver abbreviated accounts and that the abbreviated accounts have been properly prepared from the full accounts.

In our opinion the directors are entitled under Sections 246 and 247 of the Companies Act 1985 to deliver abbreviated accounts in respect of the period ended 31st December 1996 and the abbreviated accounts on pages 4 to 12 have been properly prepared in accordance with Schedule 8 to that Act.

On 21st March 1997 we reported, as auditors of Stewart Grand Prix Limited, to the members on the full accounts prepared under Section 226 of the Companies Act 1985 for the period ended 31st December 1996 and our audit report was as follows:

"We have audited the accounts on pages 4 to 12 which have been prepared following the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

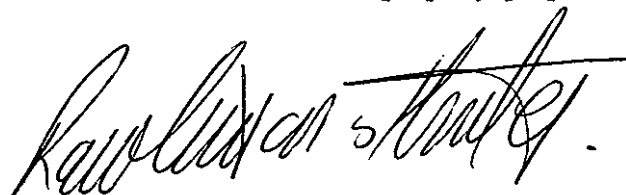
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st December 1996 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985."



Rawlinson & Hunter
Registered Auditor

21st March 1997

STEWART GRAND PRIX LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE 14 MONTH PERIOD ENDED 31ST DECEMBER 1996

	<u>Notes</u>	£	<u>1996</u>	£
GROSS PROFIT				948,462
Administrative costs				<u>1,036,616</u>
OPERATING LOSS	2			(88,154)
Interest receivable and similar income		108,550		
Interest payable and similar charges	5	<u>1,842</u>		
				<u>106,708</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION				18,554
Tax on profit on ordinary activities	6			<u>12,000</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14			<u>£ 6,554</u>

The profit for the period is wholly attributable to continuing activities. There are no recognised gains or losses other than the result for the period. Movements in shareholders' funds are shown in note 14.

The notes on pages 7 to 12 form part of these accounts

STEWART GRAND PRIX LIMITED

ABBREVIATED BALANCE SHEET

31ST DECEMBER 1996

	<u>Notes</u>	£	<u>1996</u>	£
FIXED ASSETS				
Tangible assets	7			849,313
CURRENT ASSETS				
Stocks	8	517,585		
Debtors	9	647,863		
Cash at bank and in hand		968,055		
		<u>2,133,503</u>		
CREDITORS - amounts falling due within one year	10	<u>1,821,441</u>		
NET CURRENT ASSETS				<u>312,062</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				1,161,375
CREDITORS - amounts falling due in more than one year	11			142,821
PROVISIONS FOR LIABILITIES AND CHARGES	12			<u>12,000</u>
				<u>£1,006,554</u>
CAPITAL AND RESERVES				
Called up share capital	13			1,000,000
Profit and loss account				<u>6,554</u>
SHAREHOLDERS' FUNDS	14			<u>£ 1,006,554</u>

The directors have taken advantage of the exemptions conferred by Section B of Part III of Schedule 8 of the Companies Act 1985 on the basis that the company qualifies as a medium-sized company.

Approved by the Board on 21 March 1997
and signed on its behalf by:

The notes on pages 7 to 12 form part of these accounts

STEWART GRAND PRIX LIMITED

CASH FLOW STATEMENT

31ST DECEMBER 1996

	<u>1996</u>	
	£	£
Operating activities		
Operating loss	(88,154)	
Depreciation charges	94,165	
Increase in stocks	(517,585)	
Increase in debtors	(647,863)	
Increase in creditors	<u>1,752,376</u>	
Net cash inflow from operating activities		592,939
Returns on investments and servicing of finance		
Interest received	108,550	
Interest paid	(115)	
Interest element of finance lease rental payments	<u>(1,727)</u>	
Net cash inflow from returns on investments and servicing of finance		106,708
Investing activities		
Payments to acquire tangible fixed assets	<u>(943,478)</u>	
Net cash outflow from investing activities		<u>(943,478)</u>
Net cash outflow before financing		(243,831)
Financing		
Issue of ordinary share capital	1,000,000	
Receipts from finance leases	234,095	
Capital element of finance lease rentals	<u>(22,209)</u>	
Net cash inflow from financing		<u>1,211,886</u>
Increase in cash and cash equivalents		<u><u>£968,055</u></u>
Analysis of changes in cash and cash equivalents		
Balance at 31st December 1996		
Cash at bank and in hand		968,055
Net cash inflow		<u><u>£968,055</u></u>

The notes on pages 7 to 12 form part of these accounts

STEWART GRAND PRIX LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
31ST DECEMBER 1996

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.

STEWART GRAND PRIX LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
31ST DECEMBER 1996

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.

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 LOSS	<u>1996</u>
	£
Operating loss for the period was arrived at after charging:	
Depreciation of tangible fixed assets	
Owned	87,935
Held under finance lease	6,230
Operating lease rentals of:	
Land and buildings	57,313
Auditors' remuneration	<u>10,000</u>

STEWART GRAND PRIX LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
31ST DECEMBER 1996

3. DIRECTORS' EMOLUMENTS	1996 £
The aggregate emoluments, including pension contributions, of the directors.	<u>£ -</u>
4. EMPLOYEES	<u>No. of employees</u>
The average number, including directors, employed by the company during the period was as follows:	
Design	15
Racing and Production	15
Administration	<u>7</u>
	<u>37</u>
The related staff costs amounted to:	£
Wages and salaries	1,306,602
Social security costs	<u>104,120</u>
	<u>£1,410,722</u>
5. INTEREST PAYABLE	
Bank overdraft	115
Finance leases	<u>1,727</u>
	<u>£ 1,842</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 24% based on the results for the period	-
Deferred taxation	<u>12,000</u>
	<u>£12,000</u>

STEWART GRAND PRIX LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
31ST DECEMBER 1996

7. TANGIBLE FIXED ASSETS

	Leasehold Improvements	Vehicles	Office and Workshop Equipment	Total
	£	£	£	£
Cost				
Additions and at 31st December 1996	307,060	179,595	456,823	943,478
Depreciation				
Charge for period and at 31st December 1996	<u>50,819</u>	<u>5,802</u>	<u>37,544</u>	<u>94,165</u>
Net book value				
At 31st December 1996	<u>£256,241</u>	<u>£173,793</u>	<u>£419,279</u>	<u>£849,313</u>

The net book value of fixed assets includes an amount of £218,102 in respect of assets held under finance leases.

8. STOCKS

	<u>1996</u> £
Raw materials, consumables, racing spares and race cars in the course of construction	<u>£517,585</u>

9. DEBTORS

Other debtors	159,685
Prepayments and accrued income	<u>488,178</u>
	<u>£647,863</u>

STEWART GRAND PRIX LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
31ST DECEMBER 1996

10. CREDITORS - amounts falling due within one year	<u>1996</u> £
Obligations under finance leases	69,065
Trade creditors	499,363
Corporation tax	-
Other taxes and social security	67,954
Other creditors	4,947
Accruals and deferred income	1,180,112
	<u>£1,821,441</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>£142,821</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	84,267
Between two and five years	154,763
	239,030
Less finance charges allocated to future periods	(27,144)
	<u>£211,886</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

Provision for deferred taxation at 24% comprises:

Tax allowances in excess of recorded depreciation	<u>£12,000</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>£1,000,000</u>
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On incorporation 2 ordinary shares of £1 each were allotted at par to subscribers. On 18 April 1996, a further 999,998 ordinary shares of £1 each were issued at par to provide the initial working capital of the company.

STEWART GRAND PRIX LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

31ST DECEMBER 1996

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1996</u> <u>£'000</u>
New share capital subscribed	1,000,000
Profit for the period	6,554
Closing shareholders' funds	<u>£1,006, 554</u>

15. OPERATING LEASES

At 31st December 1996 the company was committed to making the following payments under non-cancellable operating leases in the year to 31st December 1997:

	<u>Other</u> <u>£</u>
Leases expiring:	
Between two and five years	<u>£1,258</u>

16. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided for in the accounts	<u>£102,546</u>
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17. RELATED PARTY TRANSACTIONS

During the period the company entered into related party transactions with Paul Stewart Racing (UK) Limited, a company of which P E Stewart and R L Armstrong are directors.

Included within administrative expenses is a management charge of £240,000 payable to Paul Stewart Racing (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 £21,165.

Included within other creditors are £4,090 and £857 payable to Paul Stewart Racing (UK) Limited and Mark Stewart Productions Limited, respectively.

18. ULTIMATE CONTROLLING PARTY

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