

Registration number 01297497

**Williams Grand Prix Engineering Limited**

Annual Report

for the Year Ended 31 December 2013

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## **Williams Grand Prix Engineering Limited**

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# **Williams Grand Prix Engineering Limited**

## **Company Information**

### **Directors**

M Biddle

L Evans

M O'Driscoll

F Williams

C Williams

### **Company secretary**

M Biddle

### **Registered office**

Grove

Wantage

Oxfordshire

OX12 0DQ

### **Bankers**

Barclays Bank plc

PO Box 42

Abingdon

Oxfordshire

OX14 1GU

### **Auditor**

KPMG LLP

Chartered Accountants

Arlington Business Park

Theale

Reading

RG7 4SD

## **Williams Grand Prix Engineering Limited**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013**

The Directors present their report and the financial statements for the year ended 31 December 2013

#### **Directors of the Company**

The Directors who held office during the year were as follows

M Biddle

A Burns (resigned 29 May 2013)

L Evans

M O'Driscoll (appointed 4 June 2013)

C Williams

F Williams

T Wolff (resigned 21 January 2013)

#### **Insurance**

The Company purchases liability insurance covering its Directors and officers

#### **Provision of information to auditor**

The Directors confirm that, in so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

#### **Auditor**

KPMG LLP have expressed their willingness to continue in office. An ordinary resolution to reappoint KPMG LLP as auditor for the next financial year shall be put to the member of the Company pursuant to section 485(4) of the Companies Act 2006

#### **Directors' responsibilities statement**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Directors are required to

- select suitable accounting policies and apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

## **Williams Grand Prix Engineering Limited**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)**

#### **Political contributions**

The Company made no political contributions in the year (2012 £nil)

#### **Employment of disabled persons**

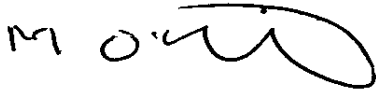
It is the Company's policy to offer equal opportunities to all persons, including disabled persons, applying for vacancies having regard to their aptitudes and abilities in relation to the jobs for which they apply

#### **Employee involvement**

The Company's policy is to consult and discuss with employees, through meetings, on matters likely to affect employees' interests

Information on matters of concern to employees is given through a staff forum, an intranet site, team briefings and internal publications which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance

Approved by the Board on 1 May 2014 and signed on its behalf by



M O'Driscoll  
Director

# **Williams Grand Prix Engineering Limited**

## **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013**

### **CHIEF EXECUTIVE OFFICER'S REPORT**

#### **Strategy**

The strategic objective is to develop a Championship winning Formula 1 team, underpinned by a robust and profitable advanced engineering business, generating satisfactory returns to its shareholders. After a number of years of deteriorating on-track performance, we began the process of refocusing and restructuring midway through 2013, and we are making good progress against our objectives.

#### **Principal activities**

The principal activities of the Company remained the design and construction of racing cars, competition in motor racing events throughout the world and the supply of advanced engineering products and services to third parties.

#### **Williams Formula 1 Review**

Formula 1 continues to represent the world's most successful sports platform due to its unprecedented global reach, with a thrilling 19 race calendar featuring new two new races in Russia and Austria in 2014.

In 2013 we participated in our 600<sup>th</sup> Grand Prix and our record is enviable with 114 race victories and nine World Championships. However, our on-track performance had deteriorated over the last few years and in 2013 it reached a new low, with a worst-ever ninth place finish in the Constructors' Championship.

During the early part of the 2013 season and in recognition of the deterioration in performance, we embarked on a new and vital strategic course of action, to rebuild the F1 organisation and revitalise the team's performance and image, with the aim of re-establishing Williams F1 as a consistent race winning team capable of challenging for the World Championship.

As the first and most fundamental element of the rebuilding process, we began the process of recruiting a significant number of the sport's leading engineers. Pat Symonds joined Williams F1 as Chief Technology Officer during August 2013 and brings a wealth of championship-winning experience to lead our new look technical team. In addition to Pat, we have recruited a dozen highly regarded and experienced engineers to supplement the many highly qualified engineers within the organisation. We remain committed to nurturing the exceptional talent base we have in place and equally determined to ensure we obtain the best when we need outside resource or support.

The Formula 1 technical regulations changed significantly for the 2014 season, with the most important revision the introduction of new hybrid V6 turbo power units. The new regulations created a unique window of opportunity to re-establish our performance credentials. Our most important move, after a thorough evaluation of our alternatives, was to agree a new, long-term power unit supply agreement with Mercedes-Benz, demonstrating our commitment to strengthen our competitive edge.

Formula 1 has always been the Company's core purpose and consequently the team has an agile and responsive culture. Other hallmarks are the team's single site which boasts impressive facilities and a history of significant research and development investment. As such we have been able to respond positively to the significant regulation changes that have come into effect for the 2014 season. We have also invested in our IT infrastructure to give us the information we need to understand race and test performance and the tools to allow our people to flourish throughout 2014 and beyond.

Despite a very challenging year on track, our team made significant progress during the winter months with the announcement of new commercial partnerships. Our new title partnership with Martini, and the rebranding of the team under the Williams Martini Racing banner, brings together two of the most iconic names in motorsport into an exciting new package. We have also announced new partnerships with Genworth, Petrobras, Banco do Brasil and Esquire and retained the vast majority of our existing partnerships from the 2013 season. Our partner relationships are fundamental and highly valued supporting our investment, development, and growth. Many of the world's leading global brands continue to be attracted to both Formula 1 and Williams.

## **Williams Grand Prix Engineering Limited**

### **STRATEGIC REPORT (continued)**

#### **Williams Advanced Engineering Review**

Williams has a successful record of transferring technologies developed in its Formula 1 team to the motorsport and automotive industry. Formula 1's fast-paced, high-tech platform provides a unique environment in which to develop next-generation energy efficient solutions and, as these efforts reached a critical mass, a dedicated group was established. Williams Advanced Engineering ("WAE") is the brand name under which the Company harnesses Formula 1 derived technology, development pace and knowledge to deliver high efficiency products and services to the motorsport, automotive and industrial sectors.

WAE work in close collaboration with our clients to create technological solutions to help meet the sustainability challenges of the 21<sup>st</sup> century. Our group provides a suite of services from system provision through to complete technology solutions.

- High performance hybrid and electric vehicle propulsion. We offer research, design and prototyping solutions in high power and energy density batteries for a range of market sectors.
- Lightweight materials technology. Our knowledge and skills in carbon composites, metal alloys, and intelligent combinations of functionality have applicability across all major industrial sectors.
- Formula 1 bred aerodynamics. Our comprehensive experimental and CFD resources (two wind tunnels on-site) are employed to deliver positive down force, low drag, and active solutions for an impressive roster of clients.
- High performance driving dynamics. We have an expert team capable of concept creation, active and passive system optimisation, and a broad range of application specific requirements.
- Specialist low volume operations. Our team can deliver turn-key procurement and manufacturing solutions for high performance, high margin products.

WAE has already established an impressive track record.

- Hybrid and EV expertise was gained in the early stage development of the Formula 1 kinetic energy recovery system (including the battery, motor generator unit, inverter and battery management system). Our expertise includes deep understanding of how to achieve maximum performance from battery cells, designing battery packs that meet tough safety and endurance regulations and offering development and test capabilities to our customers.
- We have built partnerships with a number of automotive manufacturers. Our development of the C-X75 hybrid supercar with Jaguar was groundbreaking, delivering the performance of a Bugatti Veyron with the fuel economy of a Toyota Prius.
- We were appointed as the exclusive supplier of battery technology to the exciting new Formula E programme which is the world's first fully electric racing series.
- Our high power energy recovery and energy storage system for rail and grid applications employs proven composite flywheel technology and delivers reduced investment costs, reduced operating costs, impressive CO2 savings and increased reliability and performance.

WAE's capabilities and growing client base are evidence of the strong demand for cutting-edge energy efficient solutions developed in the unique fast-paced Formula 1 environment. In order to fully realise the potential that exists, the Company has invested over £8m in a new purpose-built facility at its Oxfordshire headquarters. The facility was completed in April 2014 and will cater for current requirements and future expansion, it is the Company's most tangible demonstration of its commitment to its diversification strategy.

## **Williams Grand Prix Engineering Limited**

### **STRATEGIC REPORT (continued)**

#### **Williams Hybrid Power and Williams Technology Centre, Qatar**

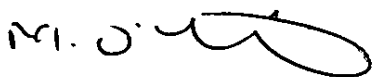
During 2013 the Company took the decisions to dispose of Williams Hybrid Power Limited ("WHP") and to discontinue its operations in Qatar. These changes are integral to the overall strategy, supporting both a renewed emphasis on the F1 operation and a more singular focus in developing the Advanced Engineering business.

Under the Company's majority ownership, WHP proved the ultimate performance capabilities of the flywheel through its installation in the Le Mans 24 Hours winning Audi's. Vitality, WHP was able to demonstrate the technology's energy efficiency in a number of public transport applications. WHP very successfully incubated and developed the flywheel, but the Company recognised that it would take a much larger group to engineer the product for mass production and realise the ultimate commercial potential.

The company disposed of its entire interest in WHP on 31 March 2014. The equity shares were sold to GKN Land Systems Limited ("GKN"). In addition to the initial consideration received, the Company will continue to receive additional consideration based on future sales and licences of the flywheel technology for a period of 10 years. The additional consideration is uncapped and will be based on future gross revenue of WHP products.

Qatar, like much of the Middle East, is experiencing rapid technological changes. Our presence in Qatar allowed us to develop our driver simulation and large flywheel technologies. We demonstrated the commercial value of these technologies through relationships with a number of high-profile customers.

We completed the closure of our Qatar branch in early 2014. The closure allowed us to relocate a number of our most valuable technological developments to our Advanced Engineering operation in Grove.



Mike O'Driscoll  
Chief Executive Officer

# Williams Grand Prix Engineering Limited

## STRATEGIC REPORT (continued)

### FINANCE DIRECTOR'S REPORT

#### Financial review

The performance of the Company is measured by reference to its Formula One and Williams Advanced Engineering activities, as well as the activities of Williams Hybrid Power and Williams Technology Centre, Qatar. In recognition of the requirements outlined in SSAP 25 *Segmental Reporting* to provide further analysis of the Company totals for turnover, net profit and net assets, a breakdown of these figures is presented in note 1 of the financial statements.

During 2013 the Company received a non-recurring sponsorship receipt. As no further obligation exists in respect of this receipt, the Company has applied the requirements of FRS5 *Substance of Transactions* to the transaction. Revenue of £20 million is included within turnover and direct costs of £1 million are included within administrative expenses in respect of this arrangement.

In 2013 the Company decided to close its branch, the Williams Technology Centre, Qatar. In accounting for the closure the Company has followed the requirements of FRS 3 *Reporting Financial Performance*. This reporting standard states that where the Company permanently ceases a part of its operations that are physically, operationally and financially distinguishable, and that cessation both has a material effect on the focus of the Company's operations and is completed within three months of the balance sheet date, then those operations will be treated as discontinued operations. These criteria have been met and as such the Company has disclosed the performance of both the continuing and discontinued operations. In addition the Company has recognised an exceptional expense in the period up to the balance sheet date in respect of the costs arising from the closure of the branch.

The Company has capitalised the costs incurred in the construction of the new Williams Advanced Engineering facility. Such costs are disclosed as Assets in the Course of Construction in the Fixed Asset note in the notes to the financial statements. In accordance with FRS 15 *Tangible Fixed Assets*, the Company has capitalised the interest costs arising on the capital borrowed to finance the construction.

The Company has sought to manage expenditure wherever possible but continues to invest in developing its people and in specifically identified research and development programmes in order to be competitive in the future.

In April 2013 HM Revenue and Customs introduced a new regime for tax credits for research and development expenditure, namely the Research and Development Expenditure Credit ("RDEC"). The Company intends to submit a claim for RDEC in respect of the research and development expenditure incurred during the year. The total charge in the profit and loss account for research and development expenditure during the year was £49.7 million (2012: £47.5 million). The Company expects to receive a net Research and Development Expenditure Credit of £2.9 million in respect of this expenditure.

During 2013 the Company successfully implemented the requirements arising from the introduction of Auto Enrolment and Real Time Information. Under Auto Enrolment, employees who are not already members of the Group Personal Pension Scheme are, subject to certain qualifying criteria, automatically enrolled into the pension scheme. The introduction of Real Time Information reporting for payroll data places an onus on employers to provide payroll data to HM Revenue and Customs on a monthly basis.

## **Williams Grand Prix Engineering Limited**

### **STRATEGIC REPORT (continued)**

#### **Financial review (continued)**

The financial results for the current and prior years reflect the accounting treatment applied to the receipt in respect of the Company's signing of the Bilateral Agreement with Formula One World Championship Limited in April 2012. Following substantial discussions about a range of possible accounting treatments for the receipt, the Company adopted an interpretation of FRS 5 *Reporting the Substance of Transactions*, Application Note G, under which the receipt is being recognised as turnover over a number of years. To the extent that the total value of the initial receipt has not been cumulatively recognised as turnover, the remaining balance is recognised as deferred income, to be released in future periods.

#### **Results and dividend**

The Company made a profit in the year of £9.9 million (2012: loss £2.4 million).

The Company does not propose to pay a dividend in respect of the year ended 31 December 2013.

The Company will continue to invest in its Formula One activities and will identify opportunities for diversification and growth through Williams Advanced Engineering.

#### **Principal risks and uncertainties**

The principal uncertainty for the Company continues to be revenue generation, most especially related to the funding of the Formula 1 organisation.

Revenue from the Company's Formula 1 motor racing activities is derived largely from sponsorship and commercial rights income. The Company maintains and develops links with potential sponsors and actively seeks the best commercial return from its competition in the sport. The costs of participation in Formula 1 include research, development, materials and production activity, as well as on track racing and testing. Such costs are monitored against budgets and forecasts and significant variances reviewed on a regular basis.

Revenue from the Company's Advanced Engineering activities represents the Company's commercial exploitation of its brand and intellectual property, with income derived from the sale of consultancy services and other development activities. The costs of Advanced Engineering activities arise from research, development, materials and production activity. Revenues are monitored against contracts agreed with customers, while revenues and costs are compared to budgets and forecasts. Significant variances are analysed by management on a regular basis.

At the time of approval of the financial statements the Company has a positive cash position and uses various financial instruments to raise finance for the Company's ongoing operations. The use of such instruments exposes the Company to translation and transaction exchange risk, liquidity risk, interest rate risk and credit risk.

The Company adopts appropriate measures to mitigate these risks. Translation and transaction exchange risk can be mitigated through currency matching and derivative contracts. Liquidity risk is mitigated through management's close involvement in business decisions in order to ensure sufficient liquidity is maintained. Interest rate risk can be mitigated through the use of interest rate swap agreements. Credit risk is mitigated through assessing the credit quality of each commercial partner.

These risks will continue to be monitored by the Company in 2014 and beyond.

## **Williams Grand Prix Engineering Limited**

### **STRATEGIC REPORT (continued)**

#### **Capital management**

The Company's capital management objectives are

- To invest in long term growth opportunities available to the Company,
- To ensure the Company's ability to continue as a going concern

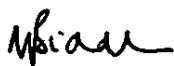
The Company monitors capital on the basis of the carrying amount of equity plus fixed term loans less cash as presented on the balance sheet



Louise Evans  
Finance Director

The Strategic Report, as set out on pages 4 to 9, has been approved by the Board

ON BEHALF OF THE BOARD



M Biddle  
General Counsel and Company Secretary  
1 May 2014

## **Williams Grand Prix Engineering Limited**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIAMS GRAND PRIX ENGINEERING LIMITED**

We have audited the financial statements of Williams Grand Prix Engineering Limited for the year ended 31 December 2013, which comprise the profit and loss account, the balance sheet, the cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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**

As explained more fully in the Directors' Responsibilities Statement (set out on page 2), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Williams Grand Prix Engineering Limited**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIAMS GRAND PRIX ENGINEERING LIMITED (continued)**

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Simon Haydn-Jones (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
Reading

1 May 2014

# **Williams Grand Prix Engineering Limited**

## **ACCOUNTING POLICIES**

### **Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

### **Going concern**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The Directors believe that the Company retains its position as a leader in high performance engineering. The Company's global profile, together with its ability to innovate and diversify, provide it with firm foundations for ongoing success, even in an adverse economic climate

The Company's profit for the year was £9.9 million (2012: loss of £2.4 million). As at 31 December 2013 the Company had net assets of £52.7 million (2012: £42.7 million) and net current assets of £9,893,705 (2012: £5,438,408). As set out in note 18, Barclays Bank plc and the Company waived banking covenants and converted all term loan facilities to repayable on demand.

The Company's revenue from its Formula One activities is derived from sponsorship and commercial rights income. This means that, in common with all other Formula One racing teams, the timing and amount of the Company's cash flows can be variable and difficult to predict accurately. Historically sponsorship contract activity was complete before the start of the race season, however the increasing profile of both Williams Martin Racing and Formula One in general during the early stages of the 2014 season means that there remains significant scope for further sponsorship contracts to be agreed throughout the year.

Revenue is also earned through the Company's Advanced Engineering activities, which represents the Company's commercial exploitation of its brand and intellectual property. WAE seeks to build on the existing customer base by securing additional contracts for goods and consultancy services with blue chip partners and are making positive progress in this regard.

The Board has reviewed cash flow forecasts for the twelve months from 1 May 2014. These forecasts take into account only income which is already contracted. As is often the case these cash flow forecasts currently show a projected shortfall during the period under review and this reflects the seasonality present in the industry as well as the Company's particular circumstances this year. The Directors have reviewed the plans that are in place to address this shortfall and to meet the Company's obligations as they fall due and are satisfied at the current time that these plans are appropriate and adequate to meet the challenge. Specifically negotiations with third parties are well progressed regarding further sponsorship, regarding the raising of further finance secured on the Company's assets and regarding the refinancing of its existing borrowings. The Company has considerable other assets which could be sold or used as security for other fundraising.

The Company is well placed to manage business risk effectively and the Board reviews the Company's performance against budgets and forecasts on a regular basis and is satisfied that the Company is performing in line with expectations.

The Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in the preparation of accounts. The principal accounting policies of the Company are set out below.

### **Consolidation**

The Company is a wholly owned subsidiary of Williams Grand Prix Holdings PLC. Williams Grand Prix Holdings PLC is incorporated in England & Wales (Company Registration Number 07475805). The Company has taken advantage of the exemption under Section 400 of the Companies Act 2006 not to produce consolidated financial statements. Accordingly, these financial statements present information about the Company as an individual undertaking and not as a group.

## **Williams Grand Prix Engineering Limited**

### **ACCOUNTING POLICIES (continued)**

#### **Cash flow statement**

As a wholly owned subsidiary of Williams Grand Prix Holdings PLC the Company has taken advantage of the exemption in FRS 1 *Cash Flow Statements (revised 1996)* not to produce a cash flow statement

#### **Turnover**

Turnover represents the best estimate of the amount receivable from sponsorship income, for the value of goods and services sold and the amount receivable in respect of commercial rights income. Turnover in respect of the termination of commercial agreements is recognised when no future obligations exist. Turnover from the sale of goods is recognised on dispatch and turnover from services is recognised in the period to which it relates. All turnover excludes value added tax.

Where sponsorship is paid by the provision of goods and services, turnover and costs are recognised in the financial statements where the market value of the goods or services may be readily ascertained. Where a value cannot be readily ascertained, neither turnover nor costs are recognised.

#### **Government grants**

Grant income is recognised when receivable and included within other operating income.

#### **Research and development**

The Company is heavily committed to research and development activities so as to maintain its position as a world leader in motorsport and high-performance engineering. All expenditure on research and development is written off to the profit and loss account as incurred.

The Company intends to claim Research and Development Expenditure Credit in respect of its research and development expenditure. The Company recognises the net value of the RDEC as Other Income in the year in which the underlying research and development expenditure was incurred. The net RDEC receivable is recognised within Other Debtors.

#### **Fixed assets**

All fixed assets are stated at historical cost less provision for any diminution in value. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Assets classified as plant & machinery, wind tunnel and vehicles & pit equipment are presented as plant & machinery assets in the notes to the accounts. A nil depreciation rate is provided in respect of the freehold property, which is shown at cost, on the basis that the residual value of the freehold property would render any annual and accumulated charge immaterial.

<b>Asset class</b>	<b>Depreciation method and rate</b>
Plant & machinery	20% reducing balance
Wind tunnels	8 years straight line
Fixtures fittings & equipment	20% reducing balance
Vehicles & pit equipment	20% reducing balance
Leasehold property	6 years straight line

#### **Assets in the course of construction**

The Company capitalises the costs of constructing new tangible fixed assets during the period for which they are under construction. Finance costs on fixed asset additions are capitalised during the period of construction and written off as part of the total cost. No depreciation is charged during the period of construction.

## **Williams Grand Prix Engineering Limited**

### **ACCOUNTING POLICIES (continued)**

#### **Stock**

Stock is valued at the lower of cost and net realisable value. Work in progress comprises costs incurred for goods which were not ready for dispatch at the balance sheet date.

#### **Hire purchase and leasing**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

#### **Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the exception that deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **Foreign currency**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange prevailing at the transaction date. All profits and losses on exchange are dealt with in the profit and loss account.

#### **Financial instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual agreements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to the reserves.

The Company has not adopted FRS 26 Financial Instruments recognition and measurement and therefore the disclosure requirements of FRS 29 Financial Instruments disclosures are not applicable. The disclosure requirements of FRS 13 Derivatives and other financial instruments have been applied.

#### **Derivatives**

The Company uses derivative financial instruments, primarily to manage exposures to fluctuations in foreign currency exchange rates and interest rates. Interest rate swaps and foreign exchange contracts entered into are not revalued to fair value or recognised in the balance sheet at the year end, as they are not designated as hedging instruments and are not held for trading purposes.

#### **Investments**

Investments are recorded at cost less amounts written off.

#### **Pensions**

The Company operates a defined contribution pension scheme. The pension costs charged in the financial statements represent the contributions payable by the Company during the period. The Company does not operate any defined benefit retirement arrangements.

## **Williams Grand Prix Engineering Limited**

### **ACCOUNTING POLICIES (continued)**

#### **Discontinued operations**

Where the Company permanently ceases a part of its operations that are physically, operationally and financially distinguishable, and that cessation both has a material effect on the focus of the Company's operations and represent a material reduction in its operating facilities resulting in withdrawal either from a particular market or a material reduction in income and is completed within three months of the balance sheet date, then those operations will be treated as discontinued operations

The Company discloses the performance of both the continuing and discontinued operations. Where discontinued operations cease within three months of the balance sheet date, the Company recognises an exceptional expense in the period up to the balance sheet date in respect of the operating losses to the point of cessation and direct costs arising from the closure of the operations

**Williams Grand Prix Engineering Limited**  
**Profit and Loss Account for the Year Ended 31 December 2013**

	Note	2013 £	2012 £
Turnover - continuing operations		123,917,323	124,688,308
Turnover - discontinued operations		731,820	345,052
<b>Turnover</b>		<b>124,649,143</b>	<b>125,033,360</b>
Cost of sales		(30,067,935)	(51,578,075)
<b>Gross profit</b>		<b>94,581,208</b>	<b>73,455,285</b>
Other operating charges		(85,154,978)	(76,846,367)
Other operating income		3,434,280	996,295
<b>Operating profit/(loss) - continuing operations</b>		<b>14,459,230</b>	<b>(920,566)</b>
<b>Operating loss - discontinued operations</b>		<b>(1,598,720)</b>	<b>(1,474,221)</b>
<b>Operating profit/(loss)</b>		<b>12,860,510</b>	<b>(2,394,787)</b>
Loss on termination of operations	3	(2,730,461)	-
Other interest receivable and similar income	8	54,494	70,872
Interest payable and similar charges	9	(225,852)	36,705
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>9,958,691</b>	<b>(2,287,210)</b>
Tax on profit on ordinary activities	10	(10,544)	(154,743)
<b>Profit/(loss) for the financial year</b>		<b>9,948,147</b>	<b>(2,441,953)</b>

The Company has no recognised gains or losses for the year other than the results above

**Williams Grand Prix Engineering Limited**  
**(Registration number: 01297497)**  
**Balance Sheet as at 31 December 2013**

	Note	2013 £	2012 £
<b>Fixed assets</b>			
Tangible assets	11	41,198,866	38,854,214
Investments	12	1,580,301	1,580,301
		<u>42,779,167</u>	<u>40,434,515</u>
<b>Current assets</b>			
Stocks	13	26,659	374,034
Debtors	14	19,346,228	57,326,014
Cash at bank and in hand		15,146,638	3,516,839
		<u>34,519,525</u>	<u>61,216,887</u>
<b>Creditors: Amounts falling due within one year</b>	15	<u>(24,625,820)</u>	<u>(55,778,479)</u>
<b>Net current assets</b>		<u>9,893,705</u>	<u>5,438,408</u>
<b>Total assets less current liabilities</b>		<b>52,672,872</b>	<b>45,872,923</b>
<b>Creditors: Amounts falling due after more than one year</b>	16	<u>-</u>	<u>(3,148,198)</u>
<b>Net assets</b>		<u>52,672,872</u>	<u>42,724,725</u>
<b>Capital and reserves</b>			
Called up share capital	22	100,000	100,000
Profit and loss account		52,572,872	42,624,725
<b>Shareholders' funds</b>		<u>52,672,872</u>	<u>42,724,725</u>

Approved by the Board on 1 May 2014 and signed on its behalf by



M O'Driscoll  
Chief Executive Officer

**Williams Grand Prix Engineering Limited**  
**Notes to the Financial Statements**

**1 Turnover**

The Directors monitor the performance of the Company by reference to the results of Formula One, Williams Advanced Engineering activity and activities in Williams Technology Centre, Qatar

**Year ended 31 December 2013**

	Formula One	WAE	Continuing	Qatar (discontinued)	Total
	£	£	£	£	£
Turnover	106,563,098	17,354,225	123,917,323	731,820	124,649,143
Other operating income	2,531,020	300,292	2,831,312	602,968	3,434,280
	109,094,118	17,654,517	126,748,635	1,334,788	128,083,423
Net profit/(loss) on ordinary activities before taxation	8,859,788	5,539,223	14,399,011	(4,440,320)	9,958,691
Net assets	45,415,934	7,054,536	52,470,470	202,402	52,672,872

**Year ended 31 December 2012**

	Formula One	WAE	Continuing	Qatar (discontinued)	Total
	£	£	£	£	£
Turnover	86,784,407	37,903,901	124,688,308	345,052	125,033,360
Other operating income	-	-	-	996,295	996,295
	86,784,407	37,903,901	124,688,308	1,341,347	126,029,655
Net profit/(loss) on ordinary activities before taxation	(8,095,889)	7,623,416	(472,473)	(1,814,737)	(2,287,210)
Net assets	39,330,905	1,432,722	40,763,627	1,961,098	42,724,725

During 2013 the Company received a non-recurring sponsorship receipt. As no further obligation exists in respect of this receipt, the Company has applied the requirements of FRSS *Substance of Transactions* to the transaction. Revenue of £20 million is included within turnover and direct costs of £1 million are included within administrative expenses in respect of this arrangement.

**Williams Grand Prix Engineering Limited**  
**Notes to the Financial Statements**

**2 Cost of sales and operating expenses**

	2013 £	2012 £
<b>Cost of sales</b>		
Continuing operations	<u>30,067,935</u>	<u>51,578,075</u>
<b>Other operating expenses</b>		
<b>Continuing operations</b>		
Distribution expenses	60,950,790	56,754,224
Administrative expenses	<u>21,270,680</u>	<u>17,276,575</u>
	<u>82,221,470</u>	<u>74,030,799</u>
<b>Discontinued operations</b>		
Distribution expenses	1,834,814	1,680,441
Administrative expenses	<u>1,098,694</u>	<u>1,135,127</u>
	<u>2,933,508</u>	<u>2,815,568</u>
<b>Total operating expenses</b>	<u>85,154,978</u>	<u>76,846,367</u>
<b>Other operating income</b>		
<b>Continuing operations</b>		
Research and Development Expenditure Credit	<u>2,831,312</u>	-
<b>Discontinued operations</b>		
Government grants	556,189	996,295
Research and Development Expenditure Credit	<u>46,779</u>	-
	<u>602,968</u>	<u>996,295</u>
<b>Total other operating income</b>	<u>3,434,280</u>	<u>996,295</u>

Distribution costs, administrative expenses and other operating income from discontinued operations relates to the Company's branch, the Williams Technology Centre, Qatar. Further detail on these discontinued operations is given in note 3, Loss on termination of an operation.

**Williams Grand Prix Engineering Limited**  
**Notes to the Financial Statements**

**3 Loss on termination of an operation**

	2013	2012
	£	£
Impairment of fixed assets	1,475,294	-
Loss on disposal of fixed assets	257,807	-
Redundancy and lease obligations	997,360	-
	<u>2,730,461</u>	<u>-</u>

The exceptional loss on the termination of operations relates to the discontinuation of the Company's branch, the Williams Technology Centre, Qatar. During 2013 the Directors of the Company resolved to close its branch in Qatar. This decision had been communicated to relevant affected parties by the balance sheet date and the cessation of operations in Qatar was substantially complete by 31 March 2014. In the Company's financial statements the results in respect of the Qatar branch have been disclosed as discontinued operations.

**4 Operating profit/(loss)**

Operating profit/(loss) is stated after charging/(crediting)

	2013	2012
	£	£
Operating leases - plant and machinery	713,845	667,752
Foreign currency losses	577,634	89,929
Loss on disposal of tangible fixed assets	254,282	60,735
Depreciation of owned assets	2,814,671	2,895,011
Auditors remuneration	42,500	122,375
Research and Development Expenditure Credit	(2,867,547)	-
Government grants receivable	<u>(556,189)</u>	<u>(996,295)</u>

**5 Auditors' remuneration**

	2013	2012
	£	£
Audit of the financial statements – Grant Thornton UK LLP	-	36,000
Audit of the financial statements – KPMG LLP	<u>35,000</u>	<u>-</u>

Fees payable to the Company's auditors and its associates for other services are as follows

Payable to Grant Thornton UK LLP		
Taxation compliance services	-	34,575
Other taxation advisory services	-	35,300
Other assurance services	-	16,500
	<u>-</u>	<u>86,375</u>
Payable to KPMG LLP		
Other assurance services	7,500	-
	<u>7,500</u>	<u>86,375</u>

**Williams Grand Prix Engineering Limited**  
**Notes to the Financial Statements**

**6 Particulars of employees**

The average number of persons employed by the Company (including Directors) during the year, analysed by category was as follows

	2013 No.	2012 No
Production	511	495
Administration and support	83	73
Marketing	24	18
	<u>618</u>	<u>586</u>

The aggregate payroll costs were as follows

	2013 £	2012 £
Wages and salaries	32,624,053	30,286,138
Social security costs	3,721,302	3,513,031
Other pension schemes	1,415,311	1,324,317
	<u>37,760,666</u>	<u>35,123,486</u>

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately to those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds.

**7 Directors' remuneration**

The Directors' remuneration for the year was as follows

	2013 £	2012 £
Remuneration	1,947,845	1,568,660
Contributions paid to money purchase schemes	58,312	43,714
	<u>2,006,157</u>	<u>1,612,374</u>

During the year the number of Directors who were receiving benefits was as follows

	2013 No.	2012 No
Accruing benefits under money purchase pension scheme	<u>4</u>	<u>4</u>

In respect of the highest paid Director

	2013 £	2012 £
Remuneration	<u>776,828</u>	<u>779,426</u>

**Williams Grand Prix Engineering Limited**  
**Notes to the Financial Statements**

**8 Other interest receivable and similar income**

	2013	2012
	£	£
Other interest receivable	<u>54,494</u>	<u>70,872</u>

**9 Interest payable and similar charges**

	2013	2012
	£	£
Interest on bank borrowings	155,406	180,541
Other interest payable	50,000	-
Foreign exchange loss / (gain) on borrowing	<u>20,446</u>	<u>(217,246)</u>
	<u>225,852</u>	<u>(36,705)</u>

**10 Taxation**

**Tax on profit on ordinary activities**

	2013	2012
	£	£
Tax on profit chargeable to corporation tax	10,544	-
Foreign current tax on income for the period	<u>-</u>	<u>154,743</u>
	<u>10,544</u>	<u>154,743</u>

The Company has estimated losses of approximately £85.1 million (2012: £100.0 million) available to carry forward against future trading profits. No deferred tax asset has been recognised in respect of these losses due to the uncertainty of the period over which they will be offset against taxable profits. Similarly no deferred tax asset has been recognised for the tax deduction of £0.8 million in respect of the Research and Development Expenditure Credit claim for the year.

**Williams Grand Prix Engineering Limited**  
**Notes to the Financial Statements**

**10 Taxation (continued)**

**Factors affecting current tax charge for the year**

The tax on profit/(loss) on ordinary activities for the current year is less than (2012 more than) the standard rate of corporation tax in the UK of 23.25% (2012 24.5%)

The differences are reconciled below

	2013 £	2012 £
Profit/(loss) on ordinary activities before tax	9,958,691	(2,287,210)
Loss/profit on ordinary activities by rate of tax	2,315,396	(560,366)
Depreciation in excess of capital allowances	1,018,574	321,664
Expenses not deductible for tax purposes	147,870	28,433
Adjustment in research and development tax credit	(865,850)	(3,663,283)
Utilisation of tax losses and other deductions	(2,603,733)	3,873,552
Adjustment for change in tax rate	(1,713)	-
Other differences		154,743
Total current tax	10,544	154,743

**11 Tangible fixed assets**

Details of the Company's tangible fixed assets are provided in the table below

A nil depreciation rate is provided in respect of assets under construction. Upon completion of construction, such assets will be transferred to appropriate asset categories and depreciated accordingly. Capitalised finance costs of £68,168 arose in the year to 31 December 2013 (2012 £63,941) in respect of the borrowing facilities provided to finance the construction of a new building.

**Williams Grand Prix Engineering Limited**  
**Notes to the Financial Statements**

**11 Tangible fixed assets (continued)**

	Freehold land and buildings £	Leasehold property £	Assets in the course of construction £	Plant and machinery £	Fixtures and fittings £	Total £
<b>Cost</b>						
At 1 January 2013	22,049,447	334,937	443,290	53,426,923	5,716,824	81,971,421
Additions	18,984	-	5,772,963	1,062,239	66,772	6,920,958
Disposals	-	(334,937)	-	(48,693)	(70,371)	(454,001)
At 31 December 2013	22,068,431	-	6,216,253	54,440,469	5,713,225	88,438,378
<b>Depreciation</b>						
At 1 January 2013	-	128,699	-	38,401,001	4,587,507	43,117,207
Charge for the year	-	-	-	2,591,292	223,379	2,814,671
Impairment charge	-	-	-	1,475,295	-	1,475,295
Eliminated on disposals	-	(128,699)	-	(20,169)	(18,793)	(167,661)
At 31 December 2013	-	-	-	42,447,419	4,792,093	47,239,512
<b>Net book value</b>						
At 31 December 2013	22,068,431	-	6,216,253	11,993,050	921,132	41,198,866
At 31 December 2012	22,049,447	206,238	443,290	15,025,922	1,129,317	38,854,214

# Williams Grand Prix Engineering Limited

## Notes to the Financial Statements

### 12 Investments

	2013	2012
	£	£
Cost and net book value at 31 December	<u>1,580,301</u>	<u>1,580,301</u>

As at 31 December 2013 the Company owned 78% of the ordinary share capital of Williams Hybrid Power Limited, a company incorporated in England and Wales. Williams Hybrid Power Limited recognised a loss for the year of £1,027,430 (2012 £2,569,279) and its reserves at 31 December 2013 were £(5,463,105) (2012 £(4,435,675)). The Company sold its interest in Williams Hybrid Power Limited on 31 March 2014.

The Company owns 100% of the ordinary share capital of Engineering Designs Limited ("EDL"), a company incorporated in England and Wales. This company was dormant throughout the period and up to the date the accounts were approved. The total share capital and reserves of EDL at 31 December 2013 were £1 (2012 £1).

The Company owns 100% of the ordinary share capital of Williams Advanced Engineering Limited ("WAE"), a company incorporated in England and Wales. This company was dormant throughout the period and up to the date the accounts were approved. The total share capital and reserves of WAE at 31 December 2013 were £100 (2012 £100).

The Company is the parent company of The Williams F1 Team Foundation, a company limited by guarantee and incorporated in England and Wales. This company was dormant throughout the period and up to the date the accounts were approved.

### 13 Stocks

	2013	2012
	£	£
Stocks	26,659	14,166
Work in progress	-	359,868
	<u>26,659</u>	<u>374,034</u>

### 14 Debtors

	2013	2012
	£	£
Trade debtors	5,798,623	39,837,383
Amounts owed by group undertakings	4,692,995	5,078,445
Other debtors	2,895,597	129,308
Prepayments and accrued income	5,959,013	12,280,878
	<u>19,346,228</u>	<u>57,326,014</u>

Trade receivables are stated net of allowances for irrecoverable amounts.

The amount owed by group undertakings falling due within one year is £4,692,955 (2012 £117,884). The amount falling due in more than one year is £nil (2012 £4,960,561).

Other debtors includes a Research and Development Expenditure Credit of £2,867,547 receivable from HM Revenue and Customs.

**Williams Grand Prix Engineering Limited**  
**Notes to the Financial Statements**

**15 Creditors: Amounts falling due within one year**

	2013	2012
	£	£
Bank loans and overdrafts	8,132,977	1,547,700
Trade creditors	4,606,197	5,596,587
Amounts owed to group undertakings	-	359
Other taxes and social security	353,740	1,151,656
Other creditors	3,814	4,014
Accruals and deferred income	11,529,092	47,478,163
	<u>24,625,820</u>	<u>55,778,479</u>

All bank loans are secured by a legal charge over the freehold property owned by the Company. A fixed and floating charge in favour of the bank is held over all assets, present and future.

**16 Creditors: Amounts falling due after more than one year**

	2013	2012
	£	£
Bank loans and overdrafts	<u>-</u>	<u>3,148,198</u>

All bank loans are secured by a legal charge over the freehold property owned by the Company. A fixed and floating charge in favour of the bank is held over all assets, present and future.

**17 Bank borrowings**

Bank borrowings are repayable as follows

	2013	2012
	£	£
Amounts repayable		
In less than one year	8,132,977	1,547,700
In more than one year but not more than two years	-	1,600,498
In more than two years but not more than five years	-	1,547,700
	<u>8,132,977</u>	<u>4,695,898</u>

## Williams Grand Prix Engineering Limited

### Notes to the Financial Statements

#### 18 Financial Instruments

Objectives, policies and strategies for managing risks relating to financial instruments are disclosed within the Report of the Directors

The fair value of cash is considered to be equal to its book value. The fair value of bank borrowings is equal to its book value. The fair value is calculated by discounting future cash flows using a rate based on the borrowing rate.

The Company's bank borrowings comprise USD and GBP loans and an overdraft facility.

The USD loan facility of USD 5 million (2012: USD 7.50 million) was agreed in August 2010 and is repayable on demand. This facility carries interest at 3.5% over US LIBOR. Accrued interest on the loan is recognised in liabilities.

The GBP loan facility of £8 million was agreed in August 2012 and is repayable on demand. This facility carries interest at 3.1% over LIBOR. Accrued interest on the loan is recognised in liabilities.

The Company has an overdraft facility of £3.5 million. This facility carries interest at 2.5% over LIBOR. Accrued interest on the facility is recognised in liabilities.

During December 2013, Barclays Bank plc waived certain banking covenants and the Company's term loan facilities were converted to facilities repayable on demand. This was to allow a period of renegotiation of term banking facilities to better support the Company's investment and development strategy.

#### 19 Obligations under leases and hire purchase contracts

As at 31 December 2013 the Company had annual commitments under non-cancellable operating leases as follows:

	2013 £	2012 £
<b>Operating leases which expire:</b>		
Within one year	254,289	349,584
Within two to five years	205,972	170,504
	<u>460,261</u>	<u>520,088</u>

#### 20 Contingent liabilities

The Company has no contingent liabilities as at 31 December 2013 or as at 31 December 2012.

#### 21 Related party transactions

With 78% of its issued shares held by the Company at the balance sheet date, Williams Hybrid Power Limited ("WHP") was a related party of the Company. During the year ended 31 December 2013 the Company made purchases of £174,683 (2012: £231,874) from WHP and sales of £501,941 (2012: £578,615) to WHP. At 31 December 2013 there was a balance owed to the Company by WHP of £240,823 (2012: £117,884) included in debtors.

During the year ended 31 December 2013 the Company made a loan of £2,370,364 to WHP (2012: £2,495,364) and booked a provision of £2,878,753 against the recoverable value of the loan. At 31 December 2013 the outstanding loan due to the Company was £4,452,172 (2012: £4,960,561).

## Williams Grand Prix Engineering Limited

### Notes to the Financial Statements

#### 21 Related party transactions (continued)

On 31 March 2014 the Company disposed of its investment in WHP. The shares in WHP were sold to GKN Land Systems Limited. The results for WHP have been presented as discontinued operations.

Sir Francis Williams is the Company's controlling party by virtue of his 51.75% beneficial interest in the ordinary share capital of the parent undertaking of the Company, Williams Grand Prix Holdings PLC. During the year the Company entered into a two-year sub-lease with Tri-leg Leasing Limited for an aircraft for use by Sir Francis Williams on Company business. Tri-leg Leasing Limited leases the aircraft from its owner, Arnab Global Limited, a company of which Sir Francis Williams is sole beneficial owner. In addition Sir Francis Williams holds a mortgage over the aircraft. During the year the Company incurred costs of £35,841 to Tri-Leg Leasing Limited (2012: £nil) and the amount outstanding as at 31 December 2013 was £35,841 (2012: £nil).

Susie Wolff is the wife of T Wolff, a Director of the Company until his resignation on 21 January 2013. During the year the Company paid £75,000 in fees to Susie Wolff in respect of her services as a development driver for the Williams F1 Team (2012: £50,000). At the balance sheet date the amount due to Susie Wolff was £nil (2012: £nil).

#### 22 Share capital

##### Allotted, called up and fully paid shares

	2013		2012	
	No.	£	No.	£
Ordinary shares of £1 each	100,000	100,000	100,000	100,000

#### 23 Reconciliation of movement in shareholders' funds

	2013	2012
	£	£
Profit/(loss) attributable to the members of the Company	9,948,147	(2,441,953)
Shareholders' funds at 1 January	42,724,725	45,166,678
Shareholders' funds at 31 December	52,672,872	42,724,725

#### 24 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £176,585 (2012: £799,991).

#### 25 Control

The immediate and ultimate controlling parent undertaking of the Company is Williams Grand Prix Holdings PLC. Williams Grand Prix Holdings PLC is incorporated in England & Wales (company registration number 07475805).

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Williams Grand Prix Holdings PLC. These group accounts are available from the ultimate parent undertaking at Williams Grand Prix Holdings PLC, Grove, Wantage, Oxfordshire, OX12 0DQ.

Sir Francis Williams is the Company's controlling related party by his 51.75% beneficial interest in the ordinary share capital of Williams Grand Prix Holdings PLC.