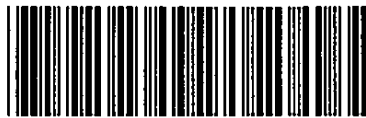


# Financial statements Williams Grand Prix Engineering Limited

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**For the year ended 31 December 2010**

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COMPANIES HOUSE

**Company No. 01297497**

## Company information

<b>Company registration number</b>	01297497
<b>Registered office</b>	Grove Wantage Oxfordshire OX12 0DQ
<b>Directors</b>	Sir FOG Williams PM Head M Biddle AM Burns SD Michael AS Parr TC Wolff
<b>Secretary</b>	M Biddle
<b>Bankers</b>	Barclays Bank plc PO Box 42 Abingdon Oxfordshire OX14 1GU
<b>Auditor</b>	Grant Thornton UK LLP Chartered Accountants Registered Auditor 3140 Rowan Place, John Smith Drive Oxford Business Park South Oxford OX4 2WB

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## Chairman's Statement

I am pleased to report that the group completed a solid year in 2010. We enter 2011 in a stronger financial and sporting position with a strategy to take the business forward again in the coming years.

The Formula One team, AT&T Williams, made progress on track in 2010. We concluded the season sixth in the Constructors' Championship, thereby meeting our target of improving upon our 2009 position, with Rubens Barrichello finishing tenth place in the Drivers' Championship.

Moving into 2011, Formula One looks as if it will have as exciting and competitive a season as ever. The team's competitive position remains to be seen and we will have to work hard through to the last race to secure another step forward in the Championship. Despite operating in one of the harshest sponsorship environments seen for a long time, we announced a major new, long-term partner in Petroleos de Venezuela S.A. in January and two existing partners, Randstad and Oris, have both upgraded and extended their partnerships.

Off-track, the group continues to reap reward from the commercialisation of its engineering expertise, particularly through the diversification into clean tech. The development and deployment of flywheel and driver-in-the-loop simulation (DIL) technologies by Williams Hybrid Power (WHP) and the Williams Technology Centre in Qatar (WTCQ) respectively are key elements of our business model.

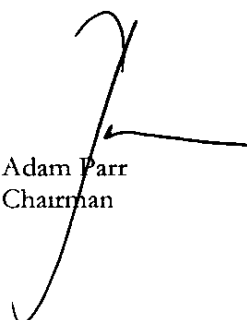
Porsche enjoyed notable race success with its 911 GT3R Hybrid integrated with WHP's flywheel in 2010, while WTCQ engaged a high profile partner in Sainsbury's who are evaluating our DIL technology for driver training and to improve energy efficiency.

Williams entered a new era in March 2011 when Williams Grand Prix Holdings PLC, the new holding company of the group, successfully joined the Frankfurt Stock Exchange. The decision to list was taken by the shareholders and directors in order to secure the long-term future of the group by providing a sustainable ownership structure. Frank Williams retains a majority and controlling stake in the team.

Financially, the group has enjoyed a strong performance over the past 12 months, in spite of the continuing uncertainty in the global economy. Our 2010 Annual Report demonstrates profitability and significant debt repayment. We have recorded an increase in before-tax-profit from £4.5 million in 2009 to £5.8 million in 2010. That enhanced profitability has afforded us the opportunity to restructure the company's debt. At the end of November 2007, the books showed a debt of £24.7 million. At the end of 2010, we have reduced that by over £20 million, to just £2.4 million.

Entering our 34<sup>th</sup> year as a Formula One entrant, I would like to express my thanks to all our staff for their continued hard work, dedication and creativity. With Williams Grand Prix Holdings PLC becoming a publicly listed company, we will be implanting the highest standards of corporate governance, including the appointment of two additional non-Executive Directors in the coming months, details of which will be confirmed nearer the time.

2010 has given Williams a solid foundation from which to grow. The group is well positioned for further progress both on and off the track.



Adam Parr  
Chairman

## Report of the directors

The directors present their report and the financial statements of the group for the year ended 31 December 2010

### **Principal activities and business review**

The principal activity of the group during the year remained design and construction of racing cars, engineering consultancy and participation in motor racing events throughout the world

During 2010, the group continued to focus on building and improving its technical capabilities and developing long term relationships with its commercial partners in its Formula One business

The key changes in the Formula One business for 2010 were

- Switch from Toyota to Cosworth engines from 2010, reducing both cost of sales and revenue
- The early impact of the Resource Restriction Agreement adopted by the Formula One Teams resulting in reduced costs for Williams

On 23 April 2010, Williams acquired an additional 38% of the issued share capital of Williams Hybrid Power Limited (WHP), taking its overall interest to 78%. As a result of this increased stake, Williams took effective control of WHP and has prepared consolidated financial statements for the year ended 31 December 2010. WHP's flywheel programme remains in a development stage, but has attracted significant interest from customers. During 2010 WHP was involved in a number of successful development projects, including a race programme with Porsche

The Williams Technology Centre in Qatar (WTCQ), a branch of Williams Grand Prix Engineering Limited, was successfully established during 2010. WTCQ is co-funded by the Qatar Foundation and is working on two major projects

- Development and commercialisation of large flywheel technology
- Commercialisation of Driver in Loop simulation technology

Financially, 2010 was a successful year for Williams, with consolidated profit before taxation increasing to £5.8 million (13 months ended 31 December 2009 £4.5 million) despite a loss of £1.1 million attributable to WHP and a loss of £0.8 million for the start up phase of WTCQ

The group's net cash position of £24.8 million on 31 December 2010 (31 December 2009 £3.9m) includes approximately £28.6 million of income relating to the year ending 31 December 2011

### **Results and dividends**

The profit for the year amounted to £6,026,009 (2009 £4,524,815). The directors have not recommended a dividend

### **Principal risks and uncertainties**

The key risks to the group continue to be revenue generation, expenditure control and cash management. This will continue to be the focus of the group in 2011 and beyond

The directors are of the opinion that a thorough risk management process is adopted which involves the formal review of financial performance on a regular basis. Where possible, processes are in place to monitor and mitigate financial risks

### **Financial risk management objectives and policies**

The group uses various financial instruments including overdrafts, loans, cash, equity reserves and various items, such as trade debtors and trade creditors, which arise directly in the course of its business. The main purpose of these financial instruments is to raise finance for the group's ongoing operations.

These financial instruments expose the group to a number of risks, principally translation and transaction exchange risk, liquidity risk, interest rate risk and credit risk.

#### *Translation and transaction exchange risk*

In order to manage this, the group seeks to match foreign currency assets and expenditure to income and appropriate levels of borrowings. In addition the group enters into a number of derivative contracts including forward foreign currency contracts to achieve an economic hedge. While the group aims to achieve an economic currency hedge position it does not adopt an accounting policy of hedge accounting for these financial statements.

#### *Liquidity risk*

The group seeks to manage this risk by ensuring that sufficient liquidity is available to meet foreseeable needs. The group's policy throughout the period has been to achieve this objective through management's day-to-day involvement in the business decisions rather than setting maximum or minimum liquidity ratios.

#### *Interest rate risk*

The group seeks to manage this risk by entering into an interest rate swap agreement. The term loan carries a floating interest rate of 2.5% over US LIBOR. In June 2007 the group entered into an interest rate swap arrangement for the period of the term loan which provided maximum interest payable of 6.40% and minimum interest payable of 5.65% during the life of the facility. This arrangement ran until March 2011.

#### *Credit risk*

The group's principal financial assets are cash and trade debtors. The group assesses the credit quality of each commercial partner before accepting any contract arrangement. The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality credit ratings.

### **Creditors' payments terms**

The group's policy is to pay suppliers 30 days following the end of the month in which an invoice is received. Actual creditor days were on average in 2010 42 days (2009 30 days).

### **Research and development**

The group 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.

The total charge in the profit and loss account for research and development expenditure during the year was £45.0m (13 month period to 31 December 2009 £45.1m).

## **Directors**

The directors who served the company during the period were as follows

Sir FOG Williams  
PM Head  
M Biddle  
AM Burns  
SD Michael  
AS Parr  
TC Wolff

## **Fixed assets**

In the opinion of the directors the market value of the freehold properties is in excess of the current carrying amount

## **Insurance**

The group purchases liability insurance covering its directors and officers

## **Directors' responsibilities**

The directors are responsible for preparing the Report of the directors 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 and profit or loss of the company and group for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

In so far as the directors are 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.

### **Donations**

The company made charitable donations in the period of £2,718 (2009 £6,909) and no political contributions (2009 £nil)

### **Post balance sheet event**

On 7 February 2011, Williams Grand Prix Engineering Limited became a subsidiary of Williams Grand Prix Holdings PLC as part of a group reorganisation. On 2 March 2011, Williams Grand Prix Holdings PLC was admitted to the Open Market (Entry Standard segment) of the Frankfurt Stock Exchange following a public offering of 24% of its existing ordinary shares.

### **Corporate governance**

Following the public offering of ordinary shares in Williams Grand Prix Holdings PLC, the group has implemented a formal corporate governance regime based on the UK Corporate Governance Code issued by the Financial Reporting Council. Details of the corporate governance regime were included in the prospectus relating to the listing and public offering of the shares of Williams Grand Prix Holdings PLC, which is available on the Williams website at [www.attwilliams.com/investors](http://www.attwilliams.com/investors).

### **Disabled employees**

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**

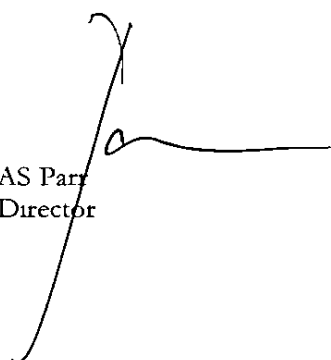
The company's policy is to consult and discuss with employees, through staff councils and at meetings, matters likely to affect employees' interests.

Information on matters of concern to employees is given through a staff forum, information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

### **Auditor**

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act unless the company receives notice under section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD



AS Parry  
Director





## Report of the independent auditor 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 2010 which comprise the profit and loss account, the consolidated and company balance sheets, the cash flow statement and the 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 auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2010 and of the group's 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**

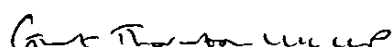
In our opinion the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Report of the independent auditor to the members of Williams Grand Prix Engineering Limited

### **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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



Janet Crookes  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP,  
Statutory Auditor, Chartered Accountants  
Oxford  
27 April 2011

## Principal accounting policies

### **Basis of accounting**

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

At the time of approving the financial statements the group has sufficient contracted income to meet its expenditure and debt service commitments for the foreseeable future. The group maintains sufficient short term borrowing facilities to meet its fluctuating short term working capital requirements. As a result of this the directors have determined that it is appropriate for the financial statements to be prepared on the going concern basis. The group's overdraft facility is due for renewal in July 2011.

The principal accounting policies of the group are set out below. The only change in accounting policies is in respect of the treatment of Williams Hybrid Power Limited which, following the additional investment in the year ended 31 December 2010, now meets the criteria to be recognised as a subsidiary. The acquisition method of accounting has been applied.

### **Consolidation**

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. As a consolidated profit and loss account is published, a separate profit and loss account for the parent is omitted from the group consolidated financial statements by virtue of section 408 of the Companies Act 2006.

The financial statements for the year ended 31 December 2010 have been prepared on a consolidated basis and includes the results of Williams Hybrid Power Limited ("WHP") which became a subsidiary undertaking during the year. The comparative financial information included with the profit and loss account and cash flow statement relates to Williams Grand Prix Engineering Limited only.

Although the company owned more than 20% of the issued share capital of WHP at 31 December 2009, the company did not recognise the results of this entity under the equity method prescribed under FRS 9 for the period ended 31 December 2009, as the directors are of the opinion that they did not exercise sufficient influence or control over the entity's financial and operating policies during the period.

### **Turnover**

Turnover represents the amount receivable from sponsorship income and for the value of goods sold, the amount receivable with respect to prize monies, commercial rights income and the commission receivable from sponsors on media deals negotiated on their behalf. 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.

### **Grant income**

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

### **Research and development**

The group is heavily committed to research and development activities so as to maintain its position as a world leader in motor sport and engineering. All expenditure on research and development is written off to the profit and loss account as incurred.

### **Fixed assets and depreciation**

All fixed assets are initially recorded at cost. 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:

Plant & machinery (including wind tunnel)	- 20% reducing balance
Leasehold property	- 6 years straight line
Fixtures, fittings & equipment	- 20% reducing balance
Vehicles & pit equipment	- 20-25% straight line

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.

### **Purchased goodwill**

Purchased goodwill, representing the excess of fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life of 10 years.

### **Stocks**

Stock is valued at the lower of cost and net realisable value.

### **Hire purchase agreements**

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

### **Operating lease agreements**

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 taxation**

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 currencies**

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.

### **Derivatives**

The group 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.

### **Pension costs**

The pension costs charged in the financial statements represent the contributions payable by the group during the period. The group does not operate any defined benefit retirement arrangements.

## Profit and loss account

		Year to 31 Dec 2010	Period from 1 Dec 2008 to 31 Dec 2009
	Note	£	£
Turnover	1	91,029,693	108,309,603
Cost of sales		(18,477,496)	(25,442,289)
Gross profit		72,552,197	82,867,314
Other operating income	2	647,837	-
Other operating charges	2	(66,906,208)	(77,408,213)
<b>Operating profit</b>	3	6,293,826	5,459,101
Interest receivable		18,065	26,660
Interest payable and similar charges	6	(525,312)	(960,946)
<b>Profit on ordinary activities before taxation</b>		5,786,579	4,524,815
Tax on profit on ordinary activities	7	-	-
Minority interests		239,430	-
<b>Profit for the financial period</b>		6,026,009	4,524,815

The financial statements for the year ended 31 December 2010 have been prepared on a consolidated basis and includes the results of Williams Hybrid Power Limited, which became a subsidiary undertaking during the year. The comparative financial information included relates only to Williams Grand Prix Engineering Limited.

All of the activities of the group are classed as continuing.

The group has no recognised gains or losses other than the results for the period as set out above.

**The accompanying accounting policies and notes form part of these financial statements.**

## Consolidated balance sheet

	Note	31 Dec 2010 £	31 Dec 2009 £
<b>Fixed assets</b>			
Intangible assets	9	641,665	-
Tangible assets	10	35,647,686	37,540,042
Investments	11	-	201
		<u>35,289,351</u>	<u>37,540,243</u>
<b>Current assets</b>			
Stocks	12	12,779	7,425
Debtors	13	16,696,519	21,496,895
Cash at bank and in hand		27,249,978	13,205,932
		<u>43,959,276</u>	<u>34,710,252</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(43,012,211)</u>	<u>(40,378,673)</u>
<b>Net current assets / (liabilities)</b>		<u>947,065</u>	<u>(5,668,421)</u>
<b>Total assets less current liabilities</b>		<u>37,236,416</u>	<u>31,871,822</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(2,423,420)</u>	<u>(3,098,661)</u>
		<u>34,812,996</u>	<u>28,773,161</u>
<b>Capital and reserves</b>			
Called-up equity share capital	21	100,000	100,000
Profit and loss account		34,699,169	28,673,161
Minority interests		13,827	-
<b>Shareholders' funds</b>	22	<u>34,812,996</u>	<u>28,773,161</u>

The financial statements for the year ended 31 December 2010 have been prepared on a consolidated basis and includes the results of Williams Hybrid Power Limited, which became a subsidiary undertaking during the year. The comparative financial information included relates only to Williams Grand Prix Engineering Limited.

These financial statements were approved by the directors and authorised for issue on 27 April 2011, and are signed on their behalf by

AS Parr  
 Director

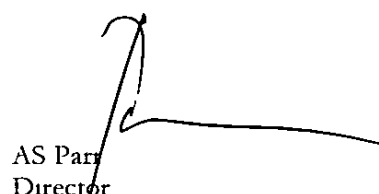
Company Registration Number 01297497

**The accompanying accounting policies and notes form part of these financial statements.**

## Company balance sheet

	Note	31 Dec 2010 £	31 Dec 2009 £
<b>Fixed assets</b>			
Tangible assets	10	35,619,609	37,540,042
Investments	11	1,580,201	201
		<u>37,199,810</u>	<u>37,540,243</u>
<b>Current assets</b>			
Stocks	12	12,779	7,425
Debtors	13	16,513,012	21,496,895
Cash at bank and in hand		27,015,247	13,205,932
		<u>43,541,038</u>	<u>34,710,252</u>
<b>Creditors: amounts falling due within one year</b>	14	(42,623,882)	(40,378,673)
<b>Net current assets / (liabilities)</b>		<u>917,156</u>	<u>(5,668,421)</u>
<b>Total assets less current liabilities</b>		<u>38,116,966</u>	<u>31,871,822</u>
<b>Creditors amounts falling due after more than one year</b>	15	(2,423,420)	(3,098,661)
		<u>35,693,546</u>	<u>28,773,161</u>
<b>Capital and reserves</b>			
Called-up equity share capital	21	100,000	100,000
Profit and loss account		35,593,546	28,673,161
<b>Shareholders' funds</b>	22	<u>35,693,546</u>	<u>28,773,161</u>

These financial statements were approved by the directors and authorised for issue on 27 April 2011, and are signed on their behalf by

  
AS Parr  
Director

Company Registration Number 01297497



## Cash flow statement

		Year to 31 Dec 2010	Period from 1 Dec 2008 to 31 Dec 2009
	Note	£	£
<b>Net cash inflow from operating activities</b>	23	<b>23,825,133</b>	<b>31,424,471</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		18,065	26,660
Interest paid		(499,229)	(1,706,458)
Interest element of hire purchase		-	(393)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(481,164)</b>	<b>(1,680,191)</b>
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(1,859,651)	(706,966)
Receipts from sale of fixed assets		31,500	2,500
<b>Net cash outflow for capital expenditure and financial investment</b>		<b>(1,828,151)</b>	<b>(704,466)</b>
<b>Acquisitions and Disposals</b>			
Payments to acquire existing shares in subsidiary undertaking		(330,000)	-
Net debt acquired in subsidiary undertaking		(156,473)	-
<b>Net cash outflow for acquisitions and disposals</b>		<b>(486,473)</b>	<b>-</b>
<b>Cash inflow before financing</b>		<b>21,029,345</b>	<b>29,039,814</b>
<b>Financing</b>			
Repayment of bank loans		(6,985,299)	(6,348,475)
Capital element of hire purchase		-	(2,016)
<b>Net cash outflow from financing</b>		<b>(6,985,299)</b>	<b>(6,550,491)</b>
<b>Increase/ (decrease) in cash</b>	23	<b>14,044,046</b>	<b>22,489,323</b>

The financial statements for the year ended 31 December 2010 have been prepared on a consolidated basis and includes the results of Williams Hybrid Power Limited, which became a subsidiary undertaking during the year. The comparative financial information included relates only to Williams Grand Prix Engineering Limited.

## Notes to the Financial Statements

### 1 Turnover

An analysis of turnover by geographical market has not been included as the directors believe that the group operates in a single global market and that the allocation to geographical markets is neither practical nor possible

The activities of Williams Grand Prix Engineering Limited relate principally to Formula One Activities not relating to Formula One are principally carried out in Williams Hybrid Power Limited Details of this can be seen in note 27

### 2 Other operating income and charges

	Year ended 31 Dec 2010	Period ended 31 Dec 2009
	£	£
Grant income	647,837	-
Total other income	<u>647,837</u>	<u>77,408,213</u>

	Year ended 31 Dec 2010	Period ended 31 Dec 2009
	£	£
Distribution costs	50,947,282	56,551,771
Administrative expenses	15,958,926	20,856,442
Total other operating charges	<u>66,906,208</u>	<u>77,408,213</u>

### 3 Operating profit

Operating profit is stated after charging /(crediting)

	Year ended 31 Dec 2010	Period ended 31 Dec 2009
	£	£
Depreciation of owned fixed assets	3,783,307	4,122,162
Depreciation of assets held under hire purchase agreements	-	1,344
Profit on disposal of fixed assets	(23,443)	(978)
Operating lease costs		
- Plant and equipment	864,620	663,411
Amortisation of intangible assets	48,050	-
Net (profit) / loss on foreign currency translation	(385,611)	4,308,995
Auditor's remuneration - audit of parent company and group financial statements	38,000	40,000
Auditor's remuneration - audit of the company's subsidiary pursuant to legislation	7,000	-
Auditor's remuneration - other fees	<u>199,504</u>	<u>138,894</u>

**3 Operating profit (continued)**

	<b>Year ended 31 Dec 2010</b>	<b>Period ended 31 Dec 2009</b>
	<b>£</b>	<b>£</b>
Auditor's remuneration - other fees		
- Taxation services	35,064	26,660
- VAT advice	87,436	112,234
- Other advice	77,004	-
	<b>199,504</b>	<b>138,894</b>

**4 Particulars of directors and employees**

The average number of staff employed by the group during the financial year amounted to

	<b>Year ended 31 Dec 2010</b>	<b>Period ended 31 Dec 2009</b>
	<b>No</b>	<b>No</b>
Number of management and administrative staff	61	59
Number of research & production staff	443	449
Number of marketing staff	17	20
	<b>521</b>	<b>528</b>

The aggregate payroll costs of the above were

	<b>Year ended 31 Dec 2010</b>	<b>Period ended 31 Dec 2009</b>
	<b>£</b>	<b>£</b>
Wages and salaries	28,146,890	30,874,678
Social security costs	3,222,624	3,377,947
Other pension costs	1,258,185	1,330,851
	<b>32,627,699</b>	<b>35,583,476</b>

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

**5 Directors**

Remuneration in respect of directors was as follows

	<b>Year ended 31 Dec 2010</b>	<b>Period ended 31 Dec 2009</b>
	<b>£</b>	<b>£</b>
Emoluments receivable	3,004,407	2,903,701
Value of company pension contributions to money purchase schemes	39,353	35,421
	<b>3,043,760</b>	<b>2,939,122</b>

**5 Directors (continued)**

Emoluments of highest paid director

	Year ended 31 Dec 2010	Period ended 31 Dec 2009
	£	£
Total emoluments (excluding pension contributions)	<u>1,002,581</u>	<u>1,110,020</u>

During the year, three directors (2009 - three) participated in money purchase pension schemes

**6 Interest payable and similar charges**

	Year ended 31 Dec 2010	Period ended 31 Dec 2009
	£	£
Interest payable on bank borrowing	446,816	1,365,688
Finance charges payable under hire purchase agreements	-	393
Other interest paid	1,789	-
Foreign exchange loss / (gain) on borrowing	76,707	(405,135)
	<u>525,312</u>	<u>960,946</u>

**7 Taxation on ordinary activities**

The group has estimated losses of approximately £88,012,660 (2009 £83,469,700) available to carry forward against future trading profits

Factors affecting current tax charge

	Year ended 31 Dec 2010	Period ended 31 Dec 2009
	£	£
Profit on ordinary activities before taxation	<u>5,786,579</u>	<u>4,524,815</u>
Profit on ordinary activities by rate of tax at 28% (2009 28%)	1,620,244	1,266,948
Expenditure not deductible for tax purposes	165,615	58,425
Depreciation in excess of capital allowances/(capital allowances in excess of depreciation)	792,323	926,440
Research and development adjustment	(3,783,559)	(3,032,956)
Tax losses carried forward	1,192,642	781,143
Consolidation adjustment not deductible for tax purposes	12,736	-
Total current tax	<u>-</u>	<u>-</u>

**8 Profit attributable to the parent company**

The profit for the financial year dealt with in the accounts of the parent company (Williams Grand Prix Engineering Limited) was £6,920,385 (2009 £4,524,815)

**9 Intangible fixed assets**  
**Group**

	Goodwill £	Patents £	Total £
Cost			
At 31 December 2009	—	—	—
Acquisition of a subsidiary	682,287	7,428	689,715
At 31 December 2010	<u>682,287</u>	<u>7,428</u>	<u>689,715</u>
Amortisation			
At 31 December 2009	—	—	—
Charge for the period	45,486	2,564	48,050
At 31 December 2010	<u>45,486</u>	<u>2,564</u>	<u>48,050</u>
Net book value			
At 31 December 2010	<u>636,801</u>	<u>4,864</u>	<u>641,665</u>
At 31 December 2009	<u>—</u>	<u>—</u>	<u>—</u>

**10 Tangible fixed assets**  
**Group**

	Freehold property £	Leasehold property £	Plant & machinery £	Fixtures, fittings & equipment £	Vehicles & pit equipment £	Total £
Cost						
At 31 December 2009	20,959,824	—	44,457,909	4,752,757	3,555,225	73,725,715
Additions	8,480	334,937	1,303,811	122,423	90,000	1,859,651
Acquisition of a subsidiary	—	—	37,596	624	—	38,220
Disposals	—	—	(317,572)	—	—	(317,572)
At 31 December 2010	<u>20,968,304</u>	<u>334,937</u>	<u>45,481,744</u>	<u>4,875,804</u>	<u>3,645,225</u>	<u>75,306,014</u>
Depreciation						
At 31 December 2009	—	—	28,827,682	4,136,951	3,221,040	36,185,673
Charge for the period	—	17,499	3,546,495	134,476	84,837	3,783,307
On disposals	—	—	(310,652)	—	—	(310,650)
At 31 December 2010	<u>—</u>	<u>17,499</u>	<u>32,063,525</u>	<u>4,271,427</u>	<u>3,305,877</u>	<u>39,658,328</u>
Net book value						
At 31 December 2010	<u>20,968,304</u>	<u>317,438</u>	<u>13,418,219</u>	<u>604,377</u>	<u>339,348</u>	<u>35,647,686</u>
At 31 December 2009	<u>20,959,824</u>	<u>—</u>	<u>15,630,227</u>	<u>615,806</u>	<u>334,185</u>	<u>37,540,042</u>

Included within the net book value of £35,647,686 is £nil (2009 - £7,730) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £nil (2009 - £1,344).

**10 Tangible fixed assets (continued)**  
**Company**

	Freehold property £	Leasehold Property £	Plant & machinery £	Fixtures, fittings & equipment £	Vehicles & pit equipment £	Total £
Cost						
At 31 December 2009	20,959,824	-	44,457,909	4,752,757	3,555,225	73,725,715
Additions	8,480	334,937	1,303,811	122,423	90,000	1,859,651
Disposals	-	-	(317,570)	-	-	(317,570)
At 31 December 2010	<u>20,968,304</u>	<u>334,937</u>	<u>45,444,150</u>	<u>4,875,180</u>	<u>3,645,225</u>	<u>75,267,796</u>
Depreciation						
At 31 December 2009	-	-	28,827,682	4,136,951	3,221,040	36,185,673
Charge for the period	-	17,499	3,536,612	134,216	84,837	3,773,164
On disposals	-	-	(310,650)	-	-	(310,650)
At 31 December 2010	<u>-</u>	<u>17,499</u>	<u>32,053,644</u>	<u>4,271,167</u>	<u>3,305,877</u>	<u>39,648,187</u>
Net book value						
At 31 December 2010	<u>20,968,304</u>	<u>317,438</u>	<u>13,390,506</u>	<u>604,013</u>	<u>339,348</u>	<u>35,619,609</u>
At 31 December 2009	<u>20,959,824</u>	<u>-</u>	<u>15,630,227</u>	<u>615,806</u>	<u>334,185</u>	<u>37,540,042</u>

Included within the net book value of £35,619,609 is £nil (2009 - £7,730) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £nil (2009 - £1,344).

**11 Investments**  
**Company**

	£
Cost and net book value at 31 December 2009	201
Additions in the year	<u>1,580,000</u>
Cost and net book value at 31 December 2010	<u>1,580,201</u>

At 31 December 2009 the company owned 40% of the share capital of Williams Hybrid Power Limited, a company incorporated in England and Wales. On 23 April 2010, the company purchased 36 of the ordinary shares in issue at a cost of £330,000 and subscribed for a further 700 ordinary shares for cash consideration of £1,250,000, thereby increasing its shareholding to 78%.

The company owns 100% of the ordinary share capital of Engineering Design Ltd ("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 reserves of EDL at 31 December 2010 were £1.

**12 Stocks**

**Group and company**

	2010	2009
	£	£
Conference centre inventories	<u>12,779</u>	<u>7,425</u>

**13 Debtors**

	The group 2010 £	The company 2010 £	2009 £
Trade debtors	3,405,166	3,118,842	11,110,958
Amounts owed by group undertakings	-	157,724	4,000
Other debtors	607,060	552,153	53,250
Prepayments and accrued income	<u>12,684,293</u>	<u>12,684,293</u>	<u>10,328,687</u>
	<u>16,696,519</u>	<u>16,513,012</u>	<u>21,496,895</u>

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

	The group 2010 £	The company 2010 £	2009 £
Bank loans and overdrafts	-	-	6,197,323
Trade creditors	6,164,192	6,041,269	5,011,736
Social security and other taxes	1,095,020	1,095,020	2,193,435
Other creditors	10,409	3,908	4,351
Accruals and deferred income	<u>35,742,592</u>	<u>35,483,685</u>	<u>26,971,828</u>
	<u>43,012,213</u>	<u>42,623,882</u>	<u>40,378,673</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.

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

	The group 2010 £	The company 2010 £	2009 £
Bank loans	<u>2,423,420</u>	<u>2,423,420</u>	<u>3,098,661</u>

## **16 Bank borrowings**

Bank borrowings are repayable as follows

	<b>The group</b> <b>2010</b> £	<b>The company</b> <b>2010</b> £	2009 £
Amounts repayable			
In one year or less or on demand	-	-	6,197,323
In more than one year but not more than two years	-	-	3,098,661
In more than two years but not more than five years	<u>2,423,420</u>	<u>2,423,420</u>	-
	<u>2,423,420</u>	<u>2,423,420</u>	<u>9,295,984</u>

## **17 Derivatives** **Group and company**

The fair value of derivatives held at 31 December 2010, not recognised in the financial statements, is as set out below

<b>Current Assets</b>	<b>2010</b> <b>Book value</b> £	<b>2010</b> <b>Fair Value</b> £	<b>2009</b> <b>Book Value</b> £	<b>2009</b> <b>Fair Value</b> £
Foreign exchange contracts	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,094,044</u>
<b>Current Liabilities</b>	<b>2010</b> <b>Book value</b> £	<b>2010</b> <b>Fair Value</b> £	<b>2009</b> <b>Book Value</b> £	<b>2009</b> <b>Fair Value</b> £
Foreign exchange contracts	-	-	-	-
Interest rate swaps	<u>-</u>	<u>(21,340)</u>	<u>-</u>	<u>(297,626)</u>
	<u>-</u>	<u>(21,340)</u>	<u>-</u>	<u>(297,626)</u>

Market values have been used to determine fair values

Foreign exchange contracts are held to mitigate foreign exchange risks. Interest rate swaps are held to mitigate interest rate risks.



## **18 Commitments under operating leases**

At 31 December 2010 the group and company had annual commitments under non-cancellable operating leases as set out below

	<b>The group</b> <b>2010</b> <b>£</b>	<b>The company</b> <b>2010</b> <b>£</b>	<b>2009</b> <b>£</b>
Assets other than land and buildings			
Within 1 year	<b>429,939</b>	<b>429,939</b>	155,348
Within 2 to 5 years	<b>90,252</b>	<b>90,252</b>	181,731
	<b><u>520,191</u></b>	<b><u>520,191</u></b>	<b><u>337,079</u></b>

## **19 Contingencies**

The group and company had no contingent liabilities as at 31 December 2010 or 31 December 2009

## **20 Related party transactions**

### **Company**

With 78% of its issued shares held by the company, Williams Hybrid Power Limited ("WHP") is a related party of the company. During the year ended 31 December 2010 the company made purchases of £1,950 (13 month period ended 31 December 2009 £572,146) from WHP and sales of £268,520 (13 month period ended 31 December 2009 £72,003) to WHP. At 31 December 2010 there was a balance owed to the company by WHP of £62,302 (2009 £13,143) included in debtors.

The company made a loan of £91,422 to WHP during the year ended 31 December 2010 and of £4,000 during the year ended 30 November 2008. At 31 December 2010 the outstanding loan due to the company was £95,422 (2009 £4,000). No provision or write offs have been made against this loan during the year or after the balance sheet date.

Directors of WHP, who are also directors or key management personnel of the company, do not receive remuneration from WHP.

## **21 Share capital**

Authorised share capital

	<b>2010</b> <b>£</b>	<b>2009</b> <b>£</b>
100,000 Ordinary shares of £1 each	<b><u>100,000</u></b>	<b><u>100,000</u></b>

Allotted, called up and fully paid

	<b>2010</b> <b>No</b>	<b>£</b>	<b>2009</b> <b>No</b>	<b>£</b>
100,000 Ordinary shares of £1 each	<b><u>100,000</u></b>	<b><u>100,000</u></b>	<b><u>100,000</u></b>	<b><u>100,000</u></b>

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

	The group 2010		The company 2009
	£	£	£
Profit for the financial period	6,026,009	6,920,385	4,524,815
Minority interest on acquisition	253,257	-	-
Minority interest in profit for the year	(239,430)	-	-
Opening shareholders' funds	28,773,161	28,773,161	24,248,346
Closing shareholders' funds	<u>34,812,996</u>	<u>35,693,546</u>	<u>28,773,161</u>

**23 Notes to the consolidated cash flow statement**

**Reconciliation of operating profit to net cash inflow from operating activities**

	2010	2009
	£	£
Operating profit	6,293,826	5,459,101
Amortisation	48,050	-
Depreciation	3,783,307	4,123,506
Profit on disposal of tangible assets	23,442	978
(Increase)/decrease in stocks	(5,354)	3,673
Decrease/(increase) in debtors	4,800,375	(706,549)
Increase in creditors	8,881,487	22,545,718
Net cash inflow from operating activities	<u>23,825,133</u>	<u>31,424,471</u>

**Reconciliation of net cash flow to movement in net debt**

	2010	2009
	£	£
Increase in cash in the period	14,044,046	22,489,323
Net cash outflow from bank loans	6,985,299	6,548,475
Cash outflow in respect of hire purchase	-	2,016
Change in net cash resulting from cash flows	<u>21,029,345</u>	<u>29,039,814</u>
Translation differences	(112,735)	405,135
Movement in net cash in the period	<u>20,916,610</u>	<u>29,444,949</u>
Net cash / (debt) at 1 January 2010	<u>3,909,948</u>	<u>(25,535,001)</u>
Net cash at 31 December 2010	<u>24,826,558</u>	<u>3,909,948</u>

**23 Notes to the consolidated cash flow statement (continued)**

**Analysis of changes in net debt**

	At 31 Dec 2009 £000	Cash flows £000	Exchange movement £000	At 31 Dec 2010 £000
Net cash				
Cash in hand and at bank	13,205,932	14,044,046	-	27,249,978
	<u>13,205,932</u>	<u>14,044,046</u>	<u>-</u>	<u>27,249,978</u>
Debt				
Debt due within 1 year	(6,197,323)	6,233,351	(36,028)	-
Debt due after 1 year	(3,098,661)	751,948	(76,707)	(2,423,420)
	<u>(9,295,984)</u>	<u>6,985,299</u>	<u>(112,735)</u>	<u>(2,423,420)</u>
Net funds	<u>3,909,948</u>	<u>21,029,345</u>	<u>(112,735)</u>	<u>24,826,558</u>

**24 Capital commitments**

The group and company had capital commitments at 31 December 2010 of £166,000 (2009 - £43,486)

**25 Post balance sheet event**

On 7 February 2011 Williams Grand Prix Engineering Limited became a subsidiary of Williams Grand Prix Holdings PLC, through a group reorganisation undertaken in connection with the latter's admission to the Open Market (Entry Standard segment) of the Frankfurt Stock Exchange, which took place on 2 March 2011. As the reorganisation took place after 31 December 2010, the first accounting period for which Williams Grand Prix Holdings PLC will prepare financial statements will be the year ending 31 December 2011.

**26 Controlling related party**

Sir FOG Williams is the company's controlling related party by virtue of his holding 50.8% of the ordinary share capital of Williams Grand Prix Holdings PLC, the company's ultimate parent company.

**27 Acquisition**

On the 23 April 2010, the company increased its shareholding in Williams Hybrid Power Limited from 40% to 78%. The company purchased 36 of the existing ordinary shares in issue at a cost of £330,000. On the same date Williams Hybrid Power Limited issued a further 700 ordinary shares to the company for cash consideration of £1,250,000. The fair value of the identifiable assets and liabilities of Williams Hybrid Power Limited at the date of acquisition equalled their book values.

	<b>Fair Value</b> <b>£</b>
<b>Assets</b>	
Intangible patents	7,428
Tangible fixed assets	38,220
Trade debtors	193,231
Amounts owed by group undertakings	1,250,000
Other debtors	36,546
Prepayments and accrued income	2,693
	<b>1,528,118</b>
<b>Liabilities : amounts falling due within one year</b>	
Bank overdraft	156,473
Trade creditors	187,215
Other taxation and social security	8,400
Other creditors	16,093
Accruals and deferred income	8,767
	<b>376,948</b>
<b>Total identifiable net assets at fair value</b>	<b>1,151,170</b>
Minority interest measured at fair value	(253,257)
Goodwill arising on acquisition	682,287
<b>Purchase consideration transferred</b>	<b>1,580,200</b>
<b>Consolidated cash flow on acquisition</b>	<b>£</b>
Overdraft acquired with the subsidiary	156,473
Cash paid outside of the group	330,000
<b>Net cash outflow</b>	<b>486,473</b>

**27 Acquisition (continued)**

Williams Hybrid Power Limited's contribution to the group from the date of acquisition to 31 December 2010 is shown below

	Period to 31 Dec 2010 £
Turnover	163,222
Cost of sales	<u>(814,388)</u>
Gross loss	<u>(651,166)</u>
Other operating charges	<u>(437,153)</u>
Operating loss	<u><u>(1,088,319)</u></u>