

Registration number: 01297497

Williams Grand Prix Engineering Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016

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Williams Grand Prix Engineering Limited

Contents

Directors' Report	1-2
Strategic Report	3-9
Independent Auditor's Report to the members of Williams Grand Prix Engineering Limited	10
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14-30
Company information	31
Definition of terms	32

Williams Grand Prix Engineering Limited Directors' Report

The Directors present their report and the financial statements for the year ended 31 December 2016.

Directors of the Company

The Directors who held office during the year and to the date of issuing this report were:

M Biddle Company Secretary and Director

A Kinch (resigned 31 January 2017)

P Lowe (appointed 16 March 2017)

M O'Driscoll

C Williams

F Williams

Provision of information to the 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.

Insurance

The Company purchases liability insurance covering its Directors and officers.

Statement of Directors' Responsibilities in respect of the Annual Report, the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, the Strategic Report, 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 Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland).

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 judgements 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, 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Williams Grand Prix Engineering Limited
Directors' Report (continued)

Political contributions

The Company made no political contributions in the year (2015: £nil).

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 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.

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 members of the Company pursuant to section 485 (4) of the Companies Act 2006 at the Company's 2017 Annual General Meeting.

ON BEHALF OF THE BOARD



Mike O'Driscoll
Director

4 April 2017

Williams Grand Prix Engineering Limited

Strategic Report

Chief Executive Officer's Review

Strategy

Our strategic objective is to build a Championship winning Formula One team, alongside a robust and profitable advanced engineering business. The organisation has tremendous potential, evidenced by the progress we've made since we restructured the business just a few years ago. In 2016 we were able to focus on the creation of a stable financial platform to support growth and investment in the years ahead. We move forward with a clear vision of the business's potential, and the performance we are capable of delivering when we operate at our best.

Our Formula One team achieved fifth place in the Constructors' Championship in 2016, following successive third place finishes the previous two years. Although we performed strongly in many respects, we were unable to sustain the levels achieved by a few of the leading teams. We have recently made significant new appointments to our technical team, in our push to improve on-track performance, and drive Williams Martini Racing to the front of the grid.

Williams Advanced Engineering, although still a developing business, continues to make excellent progress. The performance is proof of our strong belief in our capability to deliver engineering excellence to a wide range of customers. We have shown, once again, that we have the ability to create compelling customer propositions.

Our financial performance reflects strong gains in revenue and profitability across both our Formula One and Williams Advanced Engineering divisions. We continued to invest in infrastructure improvements to enhance our capacity and technical capabilities.

These financial results demonstrate that we are continuing to build a stronger and more capable organisation, and a solid foundation for future sporting and commercial success.

Principal activity

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 Grand Prix Engineering Limited Strategic Report (continued)

Formula One

Our Formula One division continued to operate profitably at EBITDA level, despite enormous levels of competitive spending in what is sport's toughest financial environment. Performing at the pinnacle of motorsport is an immense challenge that requires a huge degree of focus, dedication and ingenuity. While there were some strong elements to the package we brought to the track, our performance fell short of the front running teams.

There can be no room for complacency in Formula One. The pace of change is relentless. While we pushed hard during the year, we did not match the performance improvements from some of our closest competitors. We have already reviewed our performance and embarked on appropriate actions to improve. Obviously it will take some time to fully deploy the range of initiatives required to fully achieve our objectives.

Our Formula One financial performance did improve in 2016. The commercial rights income we received was based on the third place finish we secured in 2015. We successfully controlled costs, while simultaneously making targeted investments, which included the start of an investment programme into new production technologies.

Despite a strong financial performance in 2016, the cost of competing continues to be challenging for an independent team in a sport where technological advancement continues at a fast pace, and there is no financial limitation on team expenditures, as in many other sports. We are frequently faced with a tough choice of balancing continued technical development with financial prudence; a choice most of the front running competitors do not face.

We are enthusiastic about the prospect of further evolution in the sport following change in ownership of the Formula One Group. There is a huge opportunity to deliver much greater fan engagement, reach a new generation of enthusiasts, and boost the profitability of the sport for all participants. We believe Liberty Media is exceptionally well positioned to create enhanced value across the spectrum.

Significant regulatory change also marks 2017, which promises to be an exciting year in Formula One. There have been some exciting changes in our driver line up as we move into 2017. We have welcomed Lance Stroll, the European F3 champion and a major emerging talent, to Williams, replacing Valtteri Bottas. Lance is partnered with returning Williams favourite, Felipe Massa. We are proud of the value we delivered to our partners during the year, and we are excited to have welcomed JCB and Bombardier to the Williams family for the 2017 season.

Williams Grand Prix Engineering Limited Strategic Report (continued)

Williams Advanced Engineering

Williams Advanced Engineering made significant progress in 2016, and has continued to build and strengthen its customer base. Its project portfolio has expanded significantly over the past twelve months, which is reflected in the 74% growth in revenue over the prior year. Our expertise in battery and EV technology, coupled with expertise in lightweight materials, aerodynamics and systems integration, offers substantial opportunities in the years ahead.

We believe that Williams Advanced Engineering has a solid platform for continued expansion. Creating a successful business delivering complex solutions tailored to our customers' requirements demands a resolute focus on execution. The fact so many of our partnerships result in further work demonstrates that we consistently get this right. Solutions are about more than technology, they are about the creative application of innovation that comes from looking at problems in a different way. This demands great communication across the organisation and the ability to bring together effective project teams.

In 2016 Jaguar returned to global motorsport with an entry into the third season of the FIA Formula E Championship. Williams Advanced Engineering is acting as technical partner and is responsible for the operational running of the Jaguar Formula E race team. The championship provides an exciting showcase of the capability and performance available from electric vehicles. In addition, it provides Jaguar with the opportunity to gain further insight and experience with this technology in challenging conditions.

As the business grows, our capabilities are expanding. We are becoming a destination employer in the sector and attracting talented engineers and managers. Our increased scale is helping us diversify our project portfolio and helping us win larger contracts. We are making substantial investment in developing robust systems and processes to support delivery as we grow. This is helping us achieve increased levels of profitability and allowing us to further refine our delivery.

In a new collaboration with leading investment manager, Foresight Group, we launched the Foresight Williams Technology EIS Fund. The Fund is expected to target a portfolio of early stage UK SMEs with strong intellectual property in their own specialist fields. This will enable Williams Advanced Engineering to support the next generation of British engineering technology success stories.

The year has been characterised by the successful delivery of a number of high profile projects. To have continued to deliver high levels of customer satisfaction and improved profitability is a testament to our organisation. 2017 represents a year where we will continue to focus on improving our capabilities and processes. These efforts will help us unlock further customer value for the future.



Mike O'Driscoll
Chief Executive Officer

Williams Grand Prix Engineering Limited

Strategic Report (continued)

Chief Financial Officer's Review

The following Review has been prepared by Jon Boaden, who is serving as Interim Chief Financial Officer, following the departure of Alan Kinch at the end of January 2017. We made considerable progress during Alan's tenure, and the Board is indebted to him for his service.

Our financial performance

The Company delivered a marked improvement at EBITDA level this year through a combination of strong project delivery, a focus on cost control and the benefit of commercial rights income derived from our third place Constructors' Championship place in 2015. We achieved stretching targets in Williams Advanced Engineering where we deliver creative and innovative solutions to customers. We were unable to repeat our successes of the previous year on the Formula One track which is an indication of the challenging pace of change in the sport and the consequent requirement for continual investment.

Securing strong earnings during the year allowed us to commence a programme of strategic investment and start a phased approach to the renewal of facilities and infrastructure. All of our significant investment decisions undergo rigorous review and prioritisation to ensure we are delivering greater efficiency and performance. In particular we have a continuing focus on maintaining world-class production facilities, leading simulation capability and facilities to develop energy efficient solutions.

The improvement in EBITDA of £18.8m to a profit of £15.5m (2015: loss of £3.3m) is a step forward and reflects a year where strong project delivery coincided with some beneficial non-recurring items that are discussed in more detail below. Cost of sales increased to £58.1m (2015: £38.6m) and operating expenditure rose to £112.8m (2015: £103.4m), principally as a result of delivering the additional revenue. There was an outflow at an operating free cash flow level of £9.9m (2015: inflow of £2.7m). This was due to a higher level of capital investment in infrastructure, lower accruals for performance related compensation and the timing of some significant receipts including the research and development expenditure credit.

As we move forward, we will continue to strike a balance between delivering strategic investment and operational performance. Changes to Formula One regulations that govern the technical characteristics of the cars will put pressure on production costs in the immediate future because there is a reduced opportunity to carry over spares from one period to another. Our commercial rights income in 2017 will be based on the fifth place position we secured in the 2016 Formula One Constructors' Championship. Despite these pressures on cost and income, we have plans to continue our capital investment programme and further develop our infrastructure. In addition, we continue to support cost reduction initiatives in Formula One through our involvement in the Strategy Group, however costs of participation in the sport continue to rise.

Williams Advanced Engineering is successfully applying innovative technical solutions to solve complex customer challenges. The achievements in the areas of high-performance energy efficient propulsion and energy storage and deployment are examples of this business delivering market-leading solutions. The growth in EBITDA of £2.1m to £4.2m (2015: £2.1m) demonstrates the momentum this business is developing. Much of this progress has been delivered in the competitive motorsport sector, an area where technology is frequently established before transferring to broader applications. There are plans in place to continue the diversification of the project and customer portfolio during 2017.

Income

The Company derives revenue from a number of sources. These include commercial rights income through participation in Formula One events, partnership income from sponsorship and other branding activities and project income generated through delivering customer requirements including our Williams Advanced Engineering business activities. Commercial rights income represents the receipt of prize fund income based on our results in the previous year's Constructors' Championship.

Partnership income is very important to the team and we are proud of the strategic relationships that we have built with our commercial partners. Formula One provides an excellent platform for organisations to promote their brand to a significant global audience. In addition, we work closely with our partners to understand their business requirements and to transfer and share knowledge between organisations. By building deep relationships with our partners we endeavour to create sustainable and beneficial long-term collaborations. These arrangements are supported by contracts that run for multiple years. In addition, we have a team of highly experienced partner managers who work hard to ensure all of our partners maximise the benefit they get through working with Williams.

Williams Grand Prix Engineering Limited Strategic Report (continued)

Income (continued)

Our brand is a fantastic asset and a testament to the hard work that has gone into building Williams to the successful company it is today. We enter into selective licensing arrangements with certain third parties to use the Williams name and brand resulting in the receipt of fixed or variable royalty income. This is a relatively small element of our overall income and is an area we keep under review for further opportunities.

Formula One revenue increased to £116.7m (2015: £101.5m). This included an increase due to foreign exchange rate movements and a benefit from project income. In addition, we were able to successfully recover amounts owing in relation to a contractual dispute from several years ago which improved our income position by £3.2m.

Williams Advanced Engineering delivered an increase in revenue of £15.6m to £36.9m (2015: £21.3m). The majority of this growth was related to electrification projects, where we are well placed to deliver world class technical solutions.

Income from other areas such as our Conference Centre, Williams Heritage and income from projects delivered outside of Formula One and Williams Advanced Engineering is reported in 'Other' in note 2 to the financial statements.

Expenditure

There is a significant focus on managing costs throughout the Company. In Williams Advanced Engineering this is vital to ensure that customer projects are delivered within budget and profitably. In Formula One, we are competing with other teams who have greater financial resources. To be able to succeed at the highest level, it is crucial that we make every pound we spend deliver the maximum performance possible.

We make decisions on where to focus investment based on a comprehensive review of the expected benefits. This incorporates financial and non-financial measures depending on the investment that is under consideration. As the Company grows, it is important for us to scale our operations to meet our commercial requirements. During the year our principal infrastructure investments were in Formula One related equipment for use at our headquarters and at the track, in improving our manufacturing capability and to support customer projects in Williams Advanced Engineering.

People related costs are the biggest single item in our cost base. We offer a competitive benefits package and have a strong focus on our employees' health and wellbeing. During the year we opened a large and well equipped gym and training facility at our headquarters for all staff to use. We make a significant investment in people through apprenticeship schemes and through work-based coaching and development.

Formula One expenditure was subject to inflationary cost pressures, particularly in the second half of the year as the value of the pound weakened against other currencies. There are a number of payments that we make which have a performance related element based on our finishing position in the Constructors' Championship. Our fifth place finishing position this year resulted in lower expenditure on these items.

As Williams Advanced Engineering grows, there is an associated increase in costs. Overall the business division is more profitable and the increase in the level of project activity is delivering associated economies of scale.

Business model and sustainability

We build strong relationships with our partners and customers. This can be through co-developing an exciting new marketing strategy or working to find technological solutions for customers' business challenges. We employ great engineers and creative thinkers who specialise in developing innovative ways to tackle problems. Through this we create deep connections that help us sustain and grow our commercial operations.

We believe in transparency and fairness. We develop many solutions in our own purpose-built facilities and in addition our business supports a significant supplier base. We act in a professional and respectful way with our suppliers and endeavour to ensure that everyone is paid on time.

Williams Grand Prix Engineering Limited

Strategic Report (continued)

Business model and sustainability (continued)

Whether in Formula One or Williams Advanced Engineering, being at the cutting edge gives us a commercial advantage. New technology means new ideas and these come from our people. We offer competitive benefits to retain talented people. We make a significant investment in our employees not just through pay but also through extensive training and the facilities and benefits we provide. We believe that nurturing new talent is critical which is why we take on apprentices and give them structured learning and career paths. We also want Williams to be an easy place to succeed so we are constantly looking to develop our systems and processes and improve our ways of working.

Williams makes a significant contribution to the knowledge economy through research and development in both our Formula One and Advanced Engineering divisions. Some of our technology starts off in specialist applications before making its way into broader usage. We are very proud of the pioneering work we have carried out on high-performance electrical energy systems which will power the next generation of cleaner vehicles. Our Advanced Engineering business is well positioned to commercialise the innovations that we develop across our organisation.

Cash and working capital

We receive more cash in the first half of the year due to the timing of receipts of partnership income. We incur significant expense in Formula One at the start of the year when we are building the new season's car and creating an adequate stock of spare parts corresponding to the new design. We look to optimise the working capital cycle while meeting supplier payment commitments.

There was a material impact on working capital this year due to lower accruals for performance related payments for staff and other third parties. There were also timing differences including deferring submission of our research and development expenditure credit into the following financial year to improve the efficiency of the claim process.

Financing and investment

We have a mix of long term debt and working capital facilities. We achieve competitive rates on this funding due to our strong asset base which includes freehold land and buildings at our headquarters in Oxfordshire. We make appropriate investment in these buildings and plant to ensure that we retain and enhance the value of these assets over time. The Directors believe that the value of the freehold property is in excess of its current carrying amount.

The Company has two principal capital management objectives. These are to invest in long term growth opportunities available to the Company and to ensure the Company's ability to continue as a going concern. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

Identification and management of risks

The Board of Directors for Williams, which has overall responsibility for risk management and internal control, considers that it is important to identify key risks and put in place appropriate internal controls. The Board provides strategic direction on risk-related decision making to ensure that the appropriate policies are adopted within the Company.

The Audit Committee is responsible for ensuring that risks are appropriately identified and managed by senior management and that appropriate controls are in place and operating effectively.

Senior managers have responsibility for identifying and evaluating risks relating to their areas of responsibility. They are also responsible for implementing and monitoring effective controls to manage these risks. Where necessary they will bring in expertise from outside the Company to ensure matters are addressed appropriately.

The key risks to the Company continue to be revenue generation, expenditure control, cash management and the recruitment, retention and development of talented people.

Revenue from the Company's Formula One motor racing activities is derived largely from sponsorship and commercial rights. The Company maintains and develops links with potential sponsors and actively seeks the best commercial return from its competition in the sport. In a sport as technologically demanding and highly competitive as Formula One, there is a risk that the Company will be unable to deliver successful performance on the track. This could have an impact on the ability to secure and retain sponsorship and achieve commercial rights income.

Williams Grand Prix Engineering Limited Strategic Report (continued)

Identification and management of risks (continued)

Revenue from Williams Advanced Engineering activities represents the Company's commercial exploitation of its brand and intellectual property, with income derived from the sale of goods and consultancy services.

The costs of participation in Formula One are incurred on research, development, materials, production and operation of the team activity. Such costs are monitored against budgets and forecasts and significant variances are reviewed.

The costs of Williams Advanced Engineering arise from research, development, materials and production activity. Revenues are monitored against contracts agreed with customers. Revenues and costs are compared to budgets and forecasts.

The Company is exposed 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.

The Company is exposed to changes in the economic environment including the impact of Brexit. The Board ensures it is kept informed of Brexit developments so it can assess the impact on the Company and take action as appropriate.

The recruitment, retention and development of talented people is important for the Company's success. Management designs reward schemes to be competitive and puts in place training and development plans to help retain talented people.

These risks will continue to be monitored by the Company in 2017 and beyond.

Results and dividends

The Company's earnings per share of 61.17 pence (2015: loss per share of 116.16 pence) reflects the profit for the Company for the shares in issue, excluding those held by the Employee Benefit Trust. The Company does not propose to pay a dividend in respect of the year ended 31 December 2016 (2015: £nil).

The profit for the financial year attributable to the members of the parent company amounted to £5.9 million (2015: loss of £11.2 million).

Changes in accounting policy

There have been no changes in accounting policy during the year.



Jon Boaden
Interim Chief Financial Officer

The Strategic Report, as set out on pages 3 to 9, has been approved by the Board
ON BEHALF OF THE BOARD



Mark Biddle
General Counsel and Company Secretary

4 April 2017

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 2016 set out on pages 11 to 30. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland).

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 1, 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.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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
4 April 2017



Williams Grand Prix Engineering Limited
Statement of Comprehensive Income
for the Year Ended 31 December 2016

	Note	2016 £000	2015 £000
Revenue	2	167,415	125,620
Cost of sales		(58,059)	(38,604)
Gross profit		109,356	87,016
Other operating expenses		(112,752)	(103,433)
Other operating income	2	10,239	6,353
Operating profit/(loss)	3	6,843	(10,064)
Interest payable and similar expenses	8	(940)	(1,145)
Profit/(loss) before taxation	2	5,903	(11,209)
Tax on profit/(loss)	9	-	-
Profit/(loss) after taxation		5,903	(11,209)
Total comprehensive income/(loss) for the year		5,903	(11,209)

Results for the year ended 31 December 2016 are derived entirely from continuing operations.

Williams Grand Prix Engineering Limited
Statement of Financial Position as at 31 December 2016
(Registration number: 01297497)

	Note	2016 £000	2015 £000
Fixed assets			
Intangible assets	10	1,102	278
Heritage assets	11	21,708	22,346
Tangible assets	12	44,275	41,488
Investments	13	-	-
		<u>67,085</u>	<u>64,112</u>
Current assets			
Stocks	14	1,201	473
Debtors	15	60,445	39,037
Cash at bank and in hand		31	1,036
		<u>61,677</u>	<u>40,546</u>
Creditors: Amounts falling due within one year	16	<u>(86,647)</u>	<u>(66,516)</u>
Net current liabilities		<u>(24,970)</u>	<u>(25,970)</u>
Total assets less current liabilities		42,115	38,142
Creditors: Amounts falling due after more than one year	17	<u>(10,648)</u>	<u>(13,135)</u>
Net assets		<u>31,467</u>	<u>25,007</u>
Capital and reserves			
Called up share capital	23	100	100
Revaluation reserve		21,258	22,046
Other reserves		1,457	900
Retained earnings		<u>8,652</u>	<u>1,961</u>
Total equity		<u>31,467</u>	<u>25,007</u>

Approved and authorised by the Board on 4 April 2017 and signed on its behalf by:



M O'Driscoll
Director

Williams Grand Prix Engineering Limited
Statement of Changes in Equity
as at 31 December 2016

	Called up share capital £000	Revaluation reserve £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance as at 1 January 2015	100	22,721	-	12,495	35,316
Loss for the year	-	-	-	(11,209)	(11,209)
Total comprehensive loss for the year	-	-	-	(11,209)	(11,209)
Share-based payment transactions	-	-	900	-	900
Realisation of profit on revalued assets	-	(675)	-	675	-
Balance as at 31 December 2015	100	22,046	900	1,961	25,007
Balance as at 1 January 2016	100	22,046	900	1,961	25,007
Profit for the year	-	-	-	5,903	5,903
Total comprehensive income for the year	-	-	-	5,903	5,903
Share-based payment transactions	-	-	557	-	557
Realisation of profit on revalued assets	-	(788)	-	788	-
Balance as at 31 December 2016	100	21,258	1,457	8,652	31,467

The notes on pages 14 to 30 form an integral part of these financial statements.

Williams Grand Prix Engineering Limited

Notes to the Financial Statements

1 Basis of preparation

These financial statements have been prepared in compliance with United Kingdom accounting standards, including FRS 102 and the Companies Act 2006, and under the historical cost convention modified to include the revaluation of heritage assets and the recognition of certain financial assets and liabilities measured at fair value.

Consolidation

The Company is a wholly owned subsidiary of Williams Grand Prix Holdings PLC, a company incorporated in England & Wales (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.

Statement of cash flows

The Company has taken advantage of the exemption, under FRS 102, from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Williams Grand Prix Holdings PLC, includes the Company's cash flows in its own consolidated financial statements.

Going concern

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 £5.9 million (2015: loss of £11.2 million). As at 31 December 2016 the Company had net assets of £31.5 million (2015: £25.0 million) and net current liabilities of £25.0 million (2015: £26.0 million).

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 significant elements of the Company's cash flows can be variable and difficult to predict accurately. This unpredictability increases as the longer the time period considered. Historically, sponsorship contract activity was complete before the start of the race season, however the increasing profile of both Williams Martini Racing and Formula One in general means that there remains significant scope for further sponsorship contracts to be agreed throughout the year.

Revenue is also earned through the Company's Williams Advanced Engineering activities which represents the Company's commercial exploitation of its brand and intellectual property. Williams Advanced Engineering ("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 4 April 2017. These forecasts only include sponsorship revenue which is already contracted, estimates of other income and expenses and cash outflows due to loan repayments due within the next twelve months. The Directors have reviewed the Company's plans to meet obligations as they fall due and are satisfied at the current time that these plans are appropriate and adequate. The Company has considerable other assets which could be sold or used as security for other fundraising.

The Directors believe that the Company's borrowing facilities with HSBC Bank PLC and anticipated future cash inflows from operations will provide adequate funding for at least the next twelve months, including meeting the covenant conditions in relation to the Company's borrowings and the repayment of borrowings due during 2017 as detailed in notes 18 and 19. The Directors are satisfied that specific actions can be taken if required, including but not limited to the sale of assets already earmarked for disposal or the renegotiation of the Company's borrowings in order to ensure that the Company's obligations are met as they fall due.

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.

Williams Grand Prix Engineering Limited

Notes to the Financial Statements (continued)

1 Basis of preparation (continued)

Going concern (continued)

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.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on the amounts recognised in the financial statements.

Revenue recognition for Williams Advanced Engineering contracts

The Company enters into long term contracts to deliver advanced engineering services to customers. These contracts may have a fixed price and extend across a significant period of time. Revenue from these contracts is recognised when the outcome of the contract can be estimated reliably and the relevant services have been performed. Performance is measured by reference to the costs that have been incurred to date as a percentage of the total expected costs for the contract. The revenue recognised could be impacted by future changes in delivery or contract costs that were not considered when the completion of the contract was assessed.

Tangible fixed assets

The depreciation charge for the year is derived after determining an estimate of an asset's expected useful life. Expected useful lives are considered when assets are acquired, and at the end of each year an assessment is made for any indicators that would suggest that these values have changed.

Heritage assets

Heritage assets are revalued every five years. The valuation has been performed by a specialist looking at the cars individually, considering the value inherent in the provenance attached, as well as looking at sales values for similar vehicles where possible. Changes in market conditions could result in a revision to the values that can be attributed to these assets.

Taxation

The Company claims Research and Development Expenditure Credits ("RDEC") in respect of its research and development expenditure. The Company recognises the value of the RDEC net of tax as other income in the year in which the underlying research and development expenditure was incurred based on an estimate of the expected recovery.

Williams Grand Prix Engineering Limited

Notes to the Financial Statements (continued)

1 Basis of preparation (continued)

Significant accounting policies

Revenue

The Company principally earns revenue through sponsorship, commercial rights and engineering services.

Where sponsorship arrangements provide the sponsor with multiple deliverables, contractual revenues are allocated to each deliverable based on the relative fair value of the separate components. The majority of sponsorship revenue is recognised evenly over the course of the year. Where sponsors make payment other than in cash, revenue is recognised based on the fair value of the goods or services received or the fair value of the services provided. Where these amounts cannot be reliably estimated, no revenue is recognised.

Commercial rights revenues in relation to performance in the Constructors' Championship are based on performance in the preceding season. This revenue is recognised across the period of the Constructors' Championship. Other commercial rights revenue is recognised as the respective rights are delivered to the customer.

Engineering service revenue is often related to long term contracts which may have fixed pricing and multiple deliverables. Where the outcome of a transaction can be estimated reliably, revenue associated with the transaction is recognised in the income statement by reference to the stage of completion at the period end. Where the costs of delivering a contract are expected to exceed the revenue from the contract, the loss is recognised immediately.

Government grants

Grant income is recognised using the accrual model 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 motor sport and advanced engineering. All expenditure on research and development is expensed as incurred.

The Company claims Research and Development Expenditure Credits ("RDEC") in respect of its research and development expenditure. The Company recognises the value of the RDEC net of tax 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.

Investments

Investments in subsidiary companies are held at cost less accumulated impairment losses.

Heritage assets

The Company maintains a collection of historic Formula One cars and other vehicles of significance to the Company. These assets are held on the balance sheet at valuation. The valuation has been performed by a specialist looking at the cars individually, considering the value inherent in the provenance attached (e.g. championship winning cars), as well as looking at sales values for similar vehicles where possible. Assets are revalued every five years and gains and losses are recognised in other comprehensive income. Formula One racing cars and other vehicles retained at the end of each year are initially recorded as heritage assets with a value of £50,000 up until a revaluation takes place.

Williams Grand Prix Engineering Limited
Notes to the Financial Statements (continued)

1 Basis of preparation (continued)

Significant accounting policies (continued)

Property, plant and equipment

All property, plant and equipment is initially recorded at cost. Depreciation is calculated so as to write off the cost of an asset, over the useful economic life of that asset as shown below.

Assets classified as plant, wind tunnel, pit & motor vehicles and computer hardware are presented as plant and machinery assets in the notes to the accounts. A nil depreciation rate is provided in respect of freehold land. No depreciation is charged during the period of construction. Assets in the course of construction are stated at cost and are not depreciated until they are available for use. Upon completion of construction, such assets will be transferred to appropriate asset categories and depreciated accordingly.

Asset class	Depreciation method and rate
Freehold buildings	50 years straight-line
Plant	6 years straight-line
Wind tunnel	Between 8 and 25 years straight-line
Pit & motor vehicles	3 years straight-line
Computer hardware	3 years straight-line
Fixtures and fittings	6 years straight-line

Intangible assets

Intangible assets comprise software which is initially recorded at cost. Amortisation is calculated so as to write off the cost of an asset over a useful economic life of three years.

Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, and hire purchase contracts are capitalised in the balance sheet and depreciated over the shorter of the lease term and asset's useful lives. A corresponding liability is recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments in the balance sheet. Lease payments are apportioned between the reduction of the lease liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are recognised as an expense on a straight line basis over the lease term.

Equity-based compensation

The Company's ultimate parent company, Williams Grand Prix Holdings PLC, issues equity-settled share-based payments to certain employees of the Company. Equity-settled share-based payments are measured at fair value at the date of grant, using observable market data. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest, with a corresponding entry in equity.

Williams Grand Prix Engineering Limited

Notes to the Financial Statements (continued)

1 Basis of preparation (continued)

Significant accounting policies (continued)

Derivative financial instruments

The Company uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date at which the derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

Trade payables and receivables

Trade payables and trade receivables are not interest bearing and are payable or receivable within one year. They are recorded at their nominal value less any allowance for estimated irrecoverable amounts. Any losses arising from impairment are recognised in the income statement.

Bank borrowings and overdrafts

Interest bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception), and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds net of transaction costs and the amount due on settlement of borrowings is recognised over the term of the borrowing.

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 recognised within the statement of comprehensive income.

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.

Treasury shares

Treasury shares held by the Employee Benefit Trust are classified in capital and reserves and recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost taken to the profit and loss reserve. No gain or loss is recognised on the purchase, sale, issue or cancellation of equity shares.

Williams Grand Prix Engineering Limited
Notes to the Financial Statements (continued)

2 Segmental analysis

The Directors monitor the performance of the Company by reference to the results of core activities. Core activities relate to motorsport and advanced engineering activity. A segmental analysis of the Company's performance is attached below.

Year ended 31 December 2016

	Formula One £000	WAE £000	Other £000	Total £000
Revenue	116,691	36,937	13,787	167,415
Other operating income	9,287	806	146	10,239
	125,978	37,743	13,933	177,654
Net profit/(loss) before taxation	9,083	3,790	(6,970)	5,903
Net assets	12,110	4,886	14,471	31,467

Year ended 31 December 2015

	Formula One £000	WAE £000	Other £000	Total £000
Revenue	101,493	21,258	2,869	125,620
Other operating income	4,832	1,442	79	6,353
	106,325	22,700	2,948	131,973
Net (loss)/profit before taxation	(3,843)	1,284	(8,650)	(11,209)
Net assets	7,437	8,903	8,667	25,007

Reconciliation of EBITDA to net profit/(loss) before taxation

	2016 £000	2015 £000
EBITDA	15,492	(3,294)
Movement on derivative financial instruments at fair value through profit and loss	(3,685)	(324)
Equity-settled share-based payment expenses	(634)	(1,024)
Depreciation of tangible fixed assets	(4,074)	(4,984)
Amortisation of intangible fixed assets	(256)	(438)
Interest payable and similar expenses	(940)	(1,145)
Net profit/(loss) before taxation	5,903	(11,209)

Williams Grand Prix Engineering Limited
Notes to the Financial Statements (continued)

3 Operating profit/loss

Operating loss is stated after charging/(crediting):

	2016 £000	2015 £000
Operating leases – plant and machinery	787	613
Foreign exchange losses	2,379	316
Profit on sale of tangible fixed assets	(344)	(529)
Depreciation of tangible fixed assets	4,074	4,984
Amortisation of intangible fixed assets	256	438
Impairment of heritage assets	-	50
Auditor's remuneration	76	70
Research and development expenditure credit	(6,631)	(5,900)
Government grants receivable	(49)	(290)

4 Auditor's remuneration

	2016 £000	2015 £000
Audit of the financial statements	47	55
Fees payable to the Company's auditor and its associates for other services:		
Other assurance services	29	15

5 Particulars of employees

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

	2016 No.	2015 No.
Administration and support	90	91
Research and development	594	532
Marketing	35	30
	719	653

Williams Grand Prix Engineering Limited
Notes to the Financial Statements (continued)

5 Particulars of employees (continued)

The aggregate payroll costs were as follows:

	2016	2015
	£000	£000
Wages and salaries	44,742	42,179
Social security costs	5,020	4,945
Other pension schemes	1,989	1,838
	51,751	48,962

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.

6 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2016	2015
	£000	£000
Remuneration	3,899	2,534
Contributions paid to money purchase schemes	38	53
	3,937	2,587

During the year the number of Directors who were receiving benefits and share incentives was as follows:

	2016	2015
	No.	No.
Accruing benefits under money purchase pension schemes	4	4
Accruing benefits under a long term incentive scheme	4	4

In respect of the highest paid Director:

	2016	2015
	£000	£000
Remuneration	1,300	754
Company contributions to money purchase pension schemes	6	-
	1,068	754

Williams Grand Prix Engineering Limited
Notes to the Financial Statements (continued)

7 Share-based payments

During 2015, certain employees were granted options over the shares in Williams Grand Prix Holdings PLC. The options were granted with a zero exercise price and a vesting period of three years, subject to continued employment within the Company. Details of the share options outstanding during the year are as follows:

	2016	Weighted average exercise price £	2015	Weighted average exercise price £
	Share options No.		Share options No.	
Outstanding at 1 January	290,000	-	-	-
Granted during the year	-	-	290,000	-
Forfeited during the year	(75,000)	-	-	-
Outstanding at 31 December	<u>215,000</u>	-	<u>290,000</u>	-
Exercisable at 31 December	-	-	-	-

The Company recognised total expenses of £634,000 in relation to equity-settled share-based payment transactions in the year (2015: £1,024,000), comprising share-based payment expenses of £557,000 (2015: £900,000) and £77,000 in relation to associated payroll taxes (2015: £124,000). The share-based payment expense for each option was calculated using the market share price of Williams Grand Prix Holdings PLC as at the grant date and spread evenly over the vesting period.

8 Interest payable and similar expenses

	2016 £000	2015 £000
Interest on bank borrowings	834	1,048
Interest on other loans	51	33
Interest payable on finance leases and hire purchase agreements	55	64
	<u>940</u>	<u>1,145</u>

Williams Grand Prix Engineering Limited
Notes to the Financial Statements (continued)

9 Taxation

Tax on loss on ordinary activities

	2016	2015
	£000	£000
Current tax		
Corporation tax charge	-	-
	-	-

The Company has estimated losses of approximately £119.6 million (2015: £120.1 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.

Factors affecting tax charge for the year

The tax on profit on ordinary activities for the year is lower (2015: higher) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%).

The differences are reconciled below:

	2016	2015
	£000	£000
Profit/(loss) on ordinary activities before tax	5,903	(11,209)
Corporation tax at standard rate	1,181	(2,270)
Permanent fixed asset differences	238	377
Non-taxable income	(5)	-
Expenses not deductible for tax purposes	379	325
Adjustment in research and development tax credit	178	303
Unrelieved tax losses carried forward	(1,971)	1,264
Other differences	-	1
Total tax charge	-	-

Reductions in the UK corporation tax rate to 19% and 18% (effective from 1 April 2017 and 1 April 2020 respectively) were substantively enacted on 26 October 2015. A further reduction in the UK corporation tax rate to 17% from 1 April 2020 was announced in the Budget on 16 March 2016.

Williams Grand Prix Engineering Limited
Notes to the Financial Statements (continued)

10 Intangible fixed assets

	Software £000	Total £000
Cost		
At 1 January 2016	1,082	1,082
Additions	1,029	1,029
Transfers	51	51
At 31 December 2016	2,162	2,162
Amortisation		
At 1 January 2016	804	804
Charge for the year	256	256
At 31 December 2016	1,060	1,060
Net book value		
At 31 December 2016	1,102	1,102
At 31 December 2015	278	278

11 Heritage assets

	£000
Valuation	
At 1 January 2016	22,346
Additions	200
Disposals	(838)
At 31 December 2016	21,708

Five year financial summary of heritage asset transactions:

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Additions	200	200	150	-	-
Disposals – carrying value	838	675	462	-	-
Disposals – sale proceeds	1,171	754	735	-	-
Impairment	-	50	-	-	-

The additions in the period relate to four cars capitalised as heritage assets. The last valuation of heritage assets was carried out in July 2014 by Cars International, a specialist in high performance road and racing cars. The valuation was performed by looking at the cars individually, considering the value inherent in the provenance attached (e.g. championship winning cars), as well as looking at sales values for similar vehicles where possible. So far as the Directors are aware, there are no indicators of impairment that would affect the valuation as at the statement of financial position date.

Williams Grand Prix Engineering Limited
Notes to the Financial Statements (continued)

12 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets in the course of construction £000	Total £000
Cost					
At 1 January 2016	29,968	44,992	1,588	1,688	78,236
Additions	794	6,079	39	-	6,912
Transfers	199	1,438	-	(1,688)	(51)
At 31 December 2016	30,961	52,509	1,627	-	85,097
Depreciation					
At 1 January 2016	329	35,566	853	-	36,748
Charge for the year	342	3,500	232	-	4,074
At 31 December 2016	671	39,066	1,085	-	40,822
Net book value					
At 31 December 2016	30,290	13,443	542	-	44,275
At 31 December 2015	29,639	9,426	735	1,688	41,488

Leased assets

Included within the net book value of tangible fixed assets is £1,173,000 (2015: £1,566,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £393,000 (2015: £377,000).

13 Investments in subsidiary undertakings

	2016 £000	2015 £000
Cost and net book value as at 31 December	-	-

The Company owns 100% of the ordinary share capital of Williams F1 Limited ("WF1"), 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 WF1 at 31 December 2016 were £1 (2015: £1).

The Company owns 100% of the ordinary share capital of Williams Advanced Engineering Ltd ("WAE"), a company incorporated in England and Wales. This company was dormant throughout the year, and commenced trading on 1 January 2017, when the Williams Advanced Engineering business was transferred from the Company to WAE. The total share capital and reserves of WAE at 31 December 2016 were £100 (2015: £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.

Williams Grand Prix Engineering Limited
Notes to the Financial Statements (continued)

14 Stocks

	2016 £000	2015 £000
Stock and work in progress	1,201	473
	<u>1,201</u>	<u>473</u>

15 Debtors

	2016 £000	2015 £000
Trade debtors	34,113	23,632
Prepayments and accrued income	13,808	8,674
Other debtors	12,524	6,731
	<u>60,445</u>	<u>39,037</u>

16 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Bank loans and overdrafts	25,125	12,820
Obligations under finance lease and hire purchase contracts	354	341
Trade creditors	7,991	9,689
Other taxes and social security	274	1,697
Accruals and deferred income	37,782	30,652
Other creditors	11,112	10,993
Derivative financial liabilities	4,009	324
	<u>86,647</u>	<u>66,516</u>

17 Creditors: amounts falling due after more than one year

	2016 £000	2015 £000
Bank loans and overdrafts	9,797	11,930
Obligations under finance lease and hire purchase contracts	851	1,205
	<u>10,648</u>	<u>13,135</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.

Williams Grand Prix Engineering Limited
Notes to the Financial Statements (continued)

18 Bank borrowings

	2016 £000	2015 £000
Amounts repayable:		
In less than one year	25,125	12,820
In more than one year but less than two years	1,681	2,133
In more than two years but not more than five years	8,116	9,797
	<u>34,922</u>	<u>24,750</u>

See note 19 for further details of bank borrowings held.

19 Financial instruments

The Company has the following financial instruments:

	2016 £000	2015 £000
Financial assets measured at amortised cost		
Trade and other debtors	46,637	30,363
	<u>46,637</u>	<u>30,363</u>
Financial liabilities measured at fair value through profit or loss		
Derivative financial instruments	(4,009)	(324)
	<u>(4,009)</u>	<u>(324)</u>
Financial liabilities measured at amortised cost		
Bank loans and overdrafts	(34,922)	(24,750)
Obligations under finance lease and hire purchase contracts	(1,205)	(1,546)
Trade and other creditors	(19,103)	(20,681)
	<u>(55,230)</u>	<u>(46,977)</u>

Objectives, policies and strategies for managing risks relating to financial instruments are disclosed within the Strategic Report on pages 8 and 9.

Williams Grand Prix Engineering Limited

Notes to the Financial Statements (continued)

19 Financial instruments (continued)

Derivative financial instruments

The Company enters into forward foreign currency contracts to reduce exposure to foreign exchange rates. At 31 December 2016, the outstanding contracts were all due to mature within 11 months of the year end, subject to the following conditions:

- (i) If at a specified time the spot exchange rate trades at or above an upper threshold set in the contract, the trade will be terminated and there will be no settlement;
- (ii) If (i) does not occur and at expiry of the contract the spot exchange rate is trading at or above the forward rate, the Company may sell a fixed amount of USD for GBP at that rate;
- (iii) If at a specified time the spot exchange rate trades below a lower threshold set in the contract and (i) has not occurred, and at expiry of the contract the spot exchange rate is trading below the forward rate, the Company will be obliged to sell a fixed amount of USD for GBP at that rate; and
- (iv) If (i) and (iii) do not occur and at expiry of the contract the spot exchange rate is trading below the forward rate there will be no settlement.

The fair value of these contracts as at 31 December 2016 has been calculated by a third party, and is £(4,009,000).

Bank loans and overdrafts

The fair value of cash is considered to be equal to its book value. The fair value of bank borrowings in both periods is approximately 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 debt facilities comprise:

- A loan facility of £7,750,000 repayable in four instalments over a three year term. These instalments are £500,000 on 30 April 2017 and every six months thereafter until 30 April 2018, with all outstanding sums repaid in full on 29 June 2019. This facility carries interest at 2.6% over LIBOR.
- A loan facility of £11,000,000 repayable in full on 31 December 2016. This facility carries interest at 3.25% over LIBOR.
- A loan facility of £4,180,000 repayable in forty-two instalments over a four year term. These instalments are interest and capital repayments of £107,000 on 30 January 2017 and every month thereafter, with all outstanding sums repaid in full on 30 June 2020.
- A revolving credit facility of £10,000,000 to be made available throughout the period ending 29 June 2019. This facility carries interest at 2.6% over LIBOR.
- An overdraft facility of £5,000,000. This facility carries interest at 2.6% over the Bank of England Base Rate.

The Company is required to fulfil certain covenant conditions in relation to the cash flows available to cover debt servicing obligations and the valuation of specified property and assets.

All facilities are secured by a fixed and floating charge in favour of HSBC Bank PLC held over all assets of the Company, present and future.

Williams Grand Prix Engineering Limited
Notes to the Financial Statements (continued)

20 Obligations under leases and hire purchase contracts

Amounts repayable under finance leases and hire purchase contracts:

	2016	2015
	£000	£000
Within one year	395	395
In two to five years	895	1,291
	1,290	1,686
Less finance charges allocated to future periods	(85)	(140)
	1,205	1,546

As at 31 December 2016 the Company had annual commitments under non-cancellable operating leases, all related to plant and machinery, as follows:

	2016	2015
	£000	£000
Within one year	91	106
Within two to five years	64	298
In more than five years	323	-
	478	404

21 Contingent liabilities and contingent assets

The Company had no contingent liabilities as at 31 December 2016 or as at 31 December 2015.

22 Related party transactions

Sir Frank Williams is the Company's controlling party by virtue of his 52.25% beneficial interest in the ordinary share capital of Williams Grand Prix Holdings PLC. In his role as Team Principal during the year, Sir Frank Williams received remuneration of £761,000 (2015: £754,000) from the Company. The Company is party to a two-year sub-lease with Tri-leg Leasing Limited for an aircraft for use by Sir Frank Williams on Company business. Tri-leg Leasing Limited leases the aircraft from its owner, Arnab Global Limited, a company of which Sir Frank Williams is sole beneficial owner. In addition Sir Frank Williams holds a mortgage over the aircraft. During the year the Company incurred costs of £151,000 (2015: £193,000) to Tri-Leg Leasing Limited and the amount outstanding as at 31 December 2016 was £6,000 (2015: £6,000).

During the year, Williams Grand Prix Engineering Limited sold £156,000 (2015: £nil) of services to Vibra Healthcare, a company of which Brad Hollinger, a Director of Williams Grand Prix Holdings PLC, is the majority shareholder. The amount outstanding from Vibra Healthcare as at 31 December 2016 was £35,000 (2015: £nil).

Williams Grand Prix Engineering Limited
Notes to the Financial Statements (continued)

23 Share capital and other reserves

Allotted, called up and fully paid shares

	2016		2015	
	No.	£000	No.	£000
Ordinary shares of £1 each	100,000	100	100,000	100

There is a single class of ordinary shares which carry no right to fixed income.

Other reserves

The revaluation reserve represents the cumulative effect of revaluations of heritage assets.

Other reserves represent share-based payment entries.

24 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £697,000 (2015: £1,974,000).

25 Events after the reporting period

On 1 January 2017, the Williams Advanced Engineering business was transferred from the Company to Williams Advanced Engineering Limited, a wholly-owned subsidiary of the Company. See note 13 for further details.

26 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 Frank Williams is the Company's controlling related party by virtue of his 52.25% beneficial interest in the ordinary share capital of Williams Grand Prix Holdings PLC.

Williams Grand Prix Engineering Limited
Company Information

Directors	M Biddle P Lowe M O'Driscoll C Williams F Williams
Company secretary	M Biddle
Registered office	Grove Wantage Oxfordshire OX12 0DQ
Banker	HSBC Bank PLC Cornmarket Street Oxford Oxfordshire OX1 3HY
Auditor	KPMG LLP Chartered Accountants Arlington Business Park Theale Reading RG7 4SD

Williams Grand Prix Engineering Limited
Definition of terms

EBITDA	Earnings before interest, taxes, depreciation and amortisation and excluding non-cash share-based payment charges and mark-to-market charges on financial derivatives.
FRS 102	Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".
Operating free cash flow	Cash flows from operating activities including capital expenditure and disposals of fixed assets, but excluding other investment activities such as the disposal of companies.
RDEC	Research and Development Expenditure Credits.