

Registration number: 01297497

Williams Grand Prix Engineering Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



Williams Grand Prix Engineering Limited

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Williams Grand Prix Engineering Limited Directors' Report

The Directors present their report and the financial statements for the year ended 31 December 2019.

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

D Lafferty

P Lowe (resigned 25 June 2019)

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.

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

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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)

Insurance

All Directors of the Company are indemnified out of the Company's own funds against any liability incurred while conducting their role in the Company, unless such a liability is to the Company or an associated company. The Company has appropriate directors' and officers' liability insurance cover in place in respect of any legal action against, among others, the Directors of the Company.

Political contributions

The Company made no political contributions in the year (2018: £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

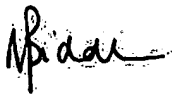
The Company's policy is to consult and discuss with employees, through meetings, on matters likely to affect employees' interests.

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. In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

ON BEHALF OF THE BOARD



M Biddle
Director

29 May 2020

Williams Grand Prix Engineering Limited Strategic Report (continued)

Strategy

The competitive environment demanded strategic realignment for Williams Grand Prix Engineering (“WGPE”) which we accomplished successfully. Since the end of the year, we have had to face further challenges.

The emergence of COVID-19 has led to the cancellation or postponement of several races. As a team we both understand the necessity and support the implementation of these measures in the face of an unprecedented health emergency. We expect that, as the restrictions are eased, we will go racing again, albeit over a reduced and compressed calendar in 2020. In the meantime, we are seeking to mitigate the financial impact of the lost commercial rights income to our business through internal cost control, and we welcome efforts by Formula one to help teams reduce or defer costs through reviewing current and forthcoming regulatory changes.

We have recently terminated our relationship with ROKiT and ROK Drinks. Having offered full commitment, and met all terms of the partnership agreement, we are tremendously disappointed to see this promising relationship end. We have already commenced the search for a new title partner and replacement principle sponsor.

We have recently completed a refinancing of the Company’s debt, replacing loans from HSBC secured on the Company’s assets with funds from new lenders whilst retaining HSBC’s involvement. Overall this represents an effective use of the Company’s assets and provides us with the financial reserves required to fund the team during the current uncertain environment.

Following a challenging start to last year’s season, we embarked on a major restructuring across our Formula One operation to ensure that we would be able to improve on track performance and prepare for the introduction of all-new technical regulations that will be implemented across the sport from 2022. We have implemented significant operational improvements and the technical organisation has been comprehensively reorganised with new leadership and talented designers joining the team. We have also implemented a change programme under the NextGen Williams banner to create an environment that enables and encourages creativity and a spirit of innovation to drive performance. The strength and talent of our workforce has been demonstrated by our contribution to “Project Pitlane”, an accelerated programme to supply intensive care ventilators for the NHS in the fight against COVID-19.

We simultaneously decided to attract external investment into WAE. The business has grown significantly since its inception but will require new investment if it is to realise its potential. We sold a majority stake in WAE and its subsidiaries to EMK Capital Partners LLP (“EMK”); a private equity firm with a strong track record of developing businesses. As it continues to grow under EMK’s ownership, we will participate through the retention of a significant minority stake in the business, that will continue to be co-located at our Grove technology campus.

Our financial results reflect our poor on-track performance over the last two seasons, with revenue declining from £131.7m in 2018 to £107.5m last year whilst profit after tax increased from £4.1m to £18.0m only due to the sale of WAE. We are determined to respond positively to the challenges ahead, with world class facilities and a strong and talented organisation.

FORMULA ONE

The last two years have proved extraordinarily disappointing, with successive last place finishes in the Constructors’ Championship. It became clear from the outset last year that we would face very challenging conditions and we therefore pushed forward with a major restructuring of our technical and manufacturing operations, determined to improve our performance this season. Initial indications are that the changes have resulted in tangible improvements across the board. We also embarked on the recruitment of highly talented staff to strengthen our design and decision-making capability as we prepare for the introduction of all-new technical regulations.

Our performance on track over the last two years has placed exceptional pressure on the organisation, impacting both prize fund receipts and commercial revenue. We began last year with ROKiT as our new title partner and are disappointed to have ended our relationships with both ROKiT and ROK Drinks. We have also further developed

Williams Grand Prix Engineering Limited

Strategic Report (continued)

our partnership with Sofina Foods, Acronis and the Financial Times, all demonstrating the breadth and continued strength of our commercial appeal.

Liberty Media have proved to be innovative and forward- looking owners of Formula 1, and we welcome the development of their vision for the sport with extensive changes to the technical and commercial regulations starting in 2021 that will create a much more level playing field for all teams. In particular, the introduction of a cost cap for the first time, together with the re-balancing of revenue distribution will significantly improve the sporting and financial sustainability of the sport for all participants. The changes will drive improved competition and give independent teams, such as Williams, greater opportunities for success.

During the year we celebrated Sir Frank Williams' 50th anniversary as a team principal. Sir Frank's fighting spirit continues to be an inspiration to the team and Williams' supporters across the world.

Our financial performance

Formula One is a cyclical sport, where strong performance on track results in improved financial reward, allowing a team the opportunity to invest in further improving its competitiveness. Conversely, poor performance can rapidly degrade a team's ability to invest in performance making it more challenging to return to competing in the championship. With a second consecutive tenth place finish, it is essential that Williams maximise the return on its assets, be they financial or human, to allow us to break this cycle, regain our competitiveness, and with it, a sustainable financial situation. We remain resolute in our determination to deliver financial sustainability to the Company despite the various, and new, challenges that we are required to overcome.

The emergence of the COVID-19 pandemic since the balance sheet date has severely affected the Formula One World Championship, with several event cancellations and postponements. The effect on the Company's income will be a material reduction in commercial rights income. Whilst the situation continues to evolve and the exact loss to the Company will depend on how much of the season can be recovered, the Company has already put in place a number of mitigations following a wide-ranging review of the cost base. Some of these derive automatically from the race cancellations where we are able to avoid certain costs that are attributable directly to race attendance, such as travel. We have also implemented other discretionary measures such as temporary pay reductions, the furloughing of employees under the Coronavirus Job Retention Scheme, reductions in capital expenditure and reductions in cost associated with manufacturing and R&D activities. The Company continues to examine further costs savings that could be put in place if required. The Company is also working with Formula One Management, and the other teams, to identify opportunities across the sport to reduce spend by restricting development activity, delaying regulations and capping spending. The collective result of these internal and industry wide initiatives should go a long way to offsetting the loss in commercial rights income due to the disrupted race season.

The Company has terminated its agreement with ROKiT and ROK Drinks, title partner and sponsor respectively. This disappointing outcome will further materially reduce income for the year unless a replacement title partner and sponsors can be signed.

On 3 April 2020 the Company concluded a refinancing which was required following the sale of WAE at the end of 2019. As part of this refinancing, amounts owing to HSBC plc under financing initially agreed in 2015 were settled.

The new refinancing arrangement retains long- standing banking partner HSBC along with new financing partners. The agreements continue to involve a mortgage on the team's land, building, plant and machinery and also include the team's heritage assets as further security. The total amount received by the Company, net of any charges associated with the refinancing transaction and repayment of amounts owing to HSBC, was £28m.

Despite the financial impact of two poor seasons back to back and the financial pressures driven by COVID-19, Williams' long and successful history has left a favourable legacy - a strong balance sheet and significant brand. We own our entire operational site in Oxfordshire including a Formula One factory, wind tunnels, an array of simulator and technical tools to rival many of the other teams, and a large and valuable collection of historic racing cars. This has proved to be incredibly important during this recent period as we have been able to rely on this asset strength to secure the financing required to support the business through this unprecedented period.

Williams Grand Prix Engineering Limited

Strategic Report (continued)

Revenue suffered a significant decline to £107.5m in 2019 from £131.7m in 2018, principally due to the loss of commercial rights income and a non-recurring item in 2018 revenue. Profit increased from £4.1m in 2018 to £17.9m due to the sale of WAE partly offset by the decline in revenue.

INCOME

In 2019 we generated income from two principal sources; commercial rights and partners. From 2020 we will recognise our share of profit arising from our minority stake in Joule Jersey Topco Ltd as income from associate, with income from the preference shares presented as finance income.

Commercial rights income is a combination of fixed payments for our participation in Formula One events and a variable payment based on our finishing position in the previous season's Constructors' Championship. In 2019 this reflected a tenth-place finish. This income was expected to be similar in 2020 as a result of us once again finishing tenth in the 2019 Formula One Constructor's Championship, however we now anticipate this level of income to materially decline driven by the impact of the Covid-19 pandemic on the race calendar.

The last 10 years have seen a significant disparity in income and expenditure across the teams participating in the Formula One World Championship. We are pleased to see Liberty Media continuing to negotiate with the teams and the consequent move towards financial regulations effective from 2021 that should allow all teams to compete on a more equal footing. As an independent constructor, the implementation of an appropriate cost cap on Formula One teams, improving the financial sustainability of the sport, and a more equal share of commercial rights income across teams is critically important. We continue to participate in discussion around potential reductions of the level of the cost cap which have been driven predominantly due to the COVID-19 pandemic.

Revised technical regulations aimed at improving the level of competition will also take effect in the coming seasons. Whilst it is difficult to predict the impact of the sporting regulations, we are pleased to see a focus on improving the quality of racing and more broadly the racing spectacle, actions likely to improve the global audience, revenue and our share of the income arising from that audience.

2019 was the first year of a five-year partnership with ROKiT, a relationship which has now come to a premature end following our decision to terminate the agreement. We are actively seeking a replacement title partner and sponsor.

Formula One remains an attractive proposition for many businesses to enhance and promote their brands and technical capabilities, however the market for partnerships continues to change rapidly and Williams must offer a compelling proposition to potential partners. We look to develop deep relationships, that go beyond brand activation, by identifying opportunities for technical collaboration which draw upon the talent we have across the organisation.

Income from other areas such as our Conference Centre and Williams Heritage is reported in 'Other' in note 2 to the financial statements. During the year we realised two gains on revaluation of assets, being an increase of the valuation in our heritage collection of £1.1m following a 3rd party valuation, and as a result of new systems enabling identification of WGPE stock and WIP, £4.9m of inventory was recognised on the balance sheet.

EXPENDITURE

The management of costs and the efficient deployment of resources is a consistently high priority within our organisation, and even more so at the current time given the anticipated loss of income. As described, the significant disparity of income across the sport means our Formula One team competes with other teams who have significantly higher budgets. We must make tough choices on where to focus our resource.

Making the right decisions about where to make investment requires an understanding of the business benefits. This incorporates financial and non-financial measures and also requires input from relevant experts across many different functions of the business.

We continually evolve our technical capability and invest in infrastructure, including Formula One related equipment, for use at our headquarters and at the track.

Williams Grand Prix Engineering Limited

Strategic Report (continued)

BUSINESS MODEL AND SUSTAINABILITY

We continually strive to exceed the expectations of our partners and customers. We achieve this by working together with our partners to deliver creative and high-profile marketing opportunities or identifying novel approaches to solve our customers' engineering challenges. The process of creating a Formula One car brings together technical experts from multiple disciplines during the design phase and manufacturing specialists within our high-tech factory. It is important for us to recruit and retain the right people.

We make a significant investment in our employees through the provision of benefits and through training and career development. We carry out an employee engagement survey each year and use the results of this to address areas of identified opportunity to improve our working environment and culture. We run apprenticeship programmes and graduate schemes where we deliver structured learning and career paths. We are an inclusive organisation and are determined to create an environment where everyone can succeed.

We remain at the forefront of research and development. Through our participation in Formula One we have a great opportunity to test and analyse solutions to aerodynamic and vehicle dynamics challenges.

CASH AND WORKING CAPITAL

In Formula One, we generally receive more cash in the first half of the year due to the timing of receipts of partnership income. This corresponds to the peak build period as we assemble the new season's car and build up a stock of spare parts.

FINANCING AND INVESTMENT

At the year-end we had relatively low levels of debt compared to our asset base. Following the recent refinancing we are now utilising our complete asset base much more effectively to secure appropriate finance for the business. We will continue to make investment in our 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.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is monitored continuously. Key stakeholders are identified as suppliers, customers, employees and shareholders.

The Company enjoys long established and strong relationships with each of our main suppliers which we greatly value having invested in these over the long term. We have a centralised procurement department that seeks to secure deals covering all major elements of our supply requirements. This helps the Company establish certainty of quality, supply and cost of materials and provides our suppliers with certainty of volume and revenues. In addition, our operating businesses work closely with regional suppliers to secure locally sourced materials. Local suppliers benefit from the Company providing them with consistent order volumes which help sustain their businesses and strengthen our supply chain.

Stakeholders are considered in all principal decisions made by the Company. We define principal decisions as both those that are material to the Company, but also those that are significant to any of our key stakeholder groups. The key example of this, throughout 2019 and into the future, is capital allocation. Capex investment committees focus on the stakeholder impact of funding allocation, incorporating financial and non-financial measures and expert input from various functions of the business. Where there are conflicting priorities from different stakeholders, the Board acts for the overall best outcome for the Company.

Williams Grand Prix Engineering Limited

Strategic Report (continued)

IDENTIFICATION AND MANAGEMENT OF RISKS

The Board of Directors for Williams, which has overall responsibility for risk management and internal control, identifies key risks and puts 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. Furthermore, the Company faces transitory risks associated with the political, economic and social frameworks in which it operates which may exaggerate the continuing risks faced by the Company

The emergence of the novel coronavirus, also known as COVID-19, pandemic presents a major challenge to our organisation as detailed above. The situation continues to evolve and the Company has set up working groups at senior levels to manage our response in line with official advice.

Whilst our primary focus at all times is the health and wellbeing of our people, there are a number of other considerations. From a financial perspective, we face uncertainty about the likely race calendar leading to a possible further reduction in revenues derived from commercial rights income. We anticipate that there will be impacts on travelling and factory based personnel through disruption to travel arrangements, ill health of employees or their dependents, or restricted access to our site through restrictions to slow the spread of the disease.

These impacts may incur financial costs, for example for travel bookings that cannot be cancelled, or knock on effects from disruption to normal operations.

With regards to Brexit, whilst the recent election and exit from the European Union have not adversely affected our business, there remains substantial uncertainty about the future arrangements for trade and travel with the European Union. As a result the Board continues to monitor the potential risks associated with any future EU-UK relationship. Williams is a UK headquartered company and most Company revenue is derived through the supply of services to both UK and international customers. Around 13% of Company purchases originate from suppliers who are based in the European Union, which may be subject to both tariffs and delays at borders whilst customs checks are carried out. Management hope that any agreement reached will minimise these issues and remain ready to put in place mitigation should this not be the case.

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.

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 Company has a procurement function that is tasked with finding efficiencies within purchasing processes.

The Company is exposed to foreign exchange transaction exchange risk, liquidity risk, interest rate risk and credit risk.

The Company adopts appropriate measures to mitigate these risks.

Williams Grand Prix Engineering Limited
Strategic Report (continued)

- Foreign exchange risk can be mitigated through using currency forwards and other derivative products to fix the future values of inflows and outflows.
- Liquidity risk is mitigated through constant monitoring and a regular and robust review and forecast process around future cashflows, on both a short term (within 3 months) and long term (up to 2 years) basis.
- Credit risk is mitigated through assessing the credit quality of each commercial partner.
- The Company does not currently take steps to mitigate interest rate risks as rate volatility is low and the overall value of interest paid is not significant to the Company.

Management continue to monitor interest rate exposures and are ready to implement mitigating actions if required. These risks will continue to be monitored by the Company in 2020 and beyond.



D Lafferty
Director

29 May 2020

Independent Auditor's Report to the members of Williams Grand Prix Engineering Limited

Opinion

We have audited the financial statements of Williams Grand Prix Engineering Ltd ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which describes uncertainties over the current external environment, the successful agreement of new sponsorship agreements, and the availability of such additional funding as is required. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK)

Independent Auditor's Report to the members of Williams Grand Prix Engineering Limited

will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



James Ledward (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

2 Forbury Place

33 Forbury Rd

Reading

RG1 3AD

29 May 2020

Williams Grand Prix Engineering Limited
Statement of Comprehensive Income
for the Year Ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue	2	107,517	131,722
Cost of sales		(42,160)	(35,218)
Gross profit		65,357	96,504
Other operating expenses		(90,136)	(98,756)
Other operating income		8,463	7,047
Exceptional profit on disposal of subsidiary	3	35,117	-
Operating profit	4	18,801	4,795
Interest payable and similar expenses	10	(819)	(742)
Profit before taxation	2	17,982	4,053
Tax on profit	11	-	-
Profit after taxation		17,982	4,053
Total comprehensive income for the year		17,982	4,053

Results for the year ended 31 December 2019 are derived entirely from continuing operations.

Williams Grand Prix Engineering Limited
Statement of Financial Position as at 31 December 2019
(Registration number: 01297497)

	Note	2019 £000	2018 £000
Non-current assets			
Long-term financial asset	12	12,897	-
Investment in associate	13	20	-
Intangible assets	15	1,479	2,006
Heritage assets	16	21,040	19,958
Tangible assets	17	34,904	37,321
		<u>70,340</u>	<u>59,285</u>
Current assets			
Stocks	18	4,938	20
Debtors	19	35,060	50,008
Cash at bank and in hand		24,283	8,361
		<u>64,281</u>	<u>58,389</u>
Creditors: Amounts falling due within one year	20	(52,077)	(56,581)
Net current assets/(liabilities)		<u>12,204</u>	<u>1,808</u>
Total assets less current liabilities		<u>82,544</u>	<u>61,093</u>
Creditors: Amounts falling due after more than one year	21	(12,809)	(8,824)
Net assets	2	<u>69,735</u>	<u>52,269</u>
Capital and reserves			
Called up share capital	27	100	100
Revaluation reserve		19,927	19,108
Other reserves		1,665	3,263
Retained earnings		48,043	29,798
Total equity		<u>69,735</u>	<u>52,269</u>

Approved and authorised by the Board on 29 May 2020 and signed on its behalf by:



D Lafferty
Director

Williams Grand Prix Engineering Limited
Statement of Changes in Equity
as at 31 December 2019

	Called up share capital £000	Revaluation reserve £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance as at 1 January 2018	100	21,033	2,527	23,528	47,188
Total comprehensive income for the year	-	-	-	4,053	4,053
Share-based payment transactions	-	-	736	292	1,028
Realisation of profit on revalued assets	-	(1,925)	-	1,925	-
Balance as at 31 December 2018	100	19,108	3,263	29,798	52,269
Balance as at 1 January 2019	100	19,108	3,263	29,798	52,269
Total comprehensive income for the year	-	-	-	17,982	17,982
Share-based payment transactions	-	-	(1,598)	-	(1,598)
Realisation of profit on revalued assets	-	(263)	-	263	-
Revaluation of heritage assets	-	1,082	-	-	1,082
Balance as at 31 December 2019	100	19,927	1,665	48,043	69,735

Williams Grand Prix Engineering Limited

Notes to the Financial Statements (continued)

1 Basis of preparation

These financial statements have been prepared in compliance with United Kingdom accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("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 and intra Group transactions

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 Company. The Company has taken advantage of the exemption contained in FRS102 and has therefore not disclosed transactions or balances with entities which form part of the Williams 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 £17.9m (2018: £4.1m). As at 31 December 2019 the Company had net assets of £69.7m (2018: £52.3m) and net current assets of £12.2m (2018: £1.8m). However, the directors consider that the current economic outlook, exacerbated by the COVID-19 crisis, presents very significant challenges in terms of uncertainty over commercial rights income, recovery of amounts from sponsors and securing additional funding as required. Whilst the directors have instituted measures to preserve cash and have, during April 2020, secured additional finance (see note 30), there remains uncertainty over future income and cash flows.

The Company's revenue from its Formula One activities is principally derived from sponsorship and commercial rights income. Following the announcement of race postponements as a result of the impact of COVID-19 on the F1 race calendar there is uncertainty over the amount and timing of commercial rights income to be received through 2020 and into 2021, with a significant reduction expected. Current revenue and cost estimates are based on a 15 to 18 race season in 2020.

The Company has mitigated much of this impact through cost saving measures within the company. Formula one management are also seeking to support all teams through changes to reduce development activity for upcoming seasons and, therefore, deferring and reducing costs. Sponsorship income is typically determined ahead of time with contracted payments on a fixed schedule. The Company has recently terminated its agreement with the ROK Group of Companies, representing a loss of both its title partner (ROKiT) and a significant sponsor (ROK Drinks). The Company has other sponsors on agreements of differing lengths and will seek to sign a new title partner and further sponsors through the year. The likelihood of securing new partners and cashflows from any such new agreements are difficult to forecast.

The Company has prepared, and the Board reviewed, cash flow forecasts for a period of twelve months from the date of approval of these financial statements and also considered whether significant matters are expected to arise thereafter. These forecasts include contracted and uncontracted sponsorship revenue, estimates of other income and expected expenses. The base case forecasts indicate that, by the start of 2021 the Company may not have sufficient funds to meet its liabilities as they fall due. Any operational shortfall from the base case cash flow forecasts will increase the amount of additional funding required and the directors' severe but plausible downside forecasts indicate that significant additional funding would be required in the period covered by the forecasts.

Williams Grand Prix Engineering Limited

Notes to the Financial Statements (continued)

1 Basis of preparation (continued)

Going concern (continued)

In order to meet the shortfall the Company needs to increase its income, such as through incremental sponsorship, disposal of available assets, or receive additional equity investments from new or existing shareholders. The Company continues to closely manage its working capital and explore various options for cost deferral should the need arise. Whilst there will always be a degree of uncertainty around such measures, the directors have reason to be confident that any such required mitigation could be managed to meet the cash flow needs of the business through the forecast period.

Based on the above, the directors believe that on balance it remains appropriate to prepare the financial statements on a going concern basis. However, the current external environment, so dramatically worsened by the uncertainty provoked by the COVID-19 crisis, the successful agreement of new sponsorship arrangements and availability of such additional funding as is required, together with the other matters described above represents a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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.

Heritage assets

Heritage assets are externally revalued every five years. Valuations are 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. In 2019, a specialist estimated the sale value of the collection at up to £32.8m and book value at £20.9m. Management have used the prudent estimate in the accounting records.

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. The 2019 estimated claim is £6.5m for the Company.

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.

The notes on pages 15 to 33 form an integral part of these financial statements.

Williams Grand Prix Engineering Limited

Notes to the Financial Statements (continued)

1 Basis of preparation (continued)

Significant accounting policies (continued)

Government grants

Grant income is recognised using the accrual model and included within other operating income.

Discontinued operations

The Company recognises as discontinued operations components which have been disposed of which represented a separate major line of business or operation.

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. 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.

Investments in associate 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.

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

The notes on pages 15 to 33 form an integral part of these financial statements.

Williams Grand Prix Engineering Limited

Notes to the Financial Statements (continued)

1 Basis of preparation (continued)

Significant accounting policies (continued)

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 other costs incurred in bringing inventories to their present location and condition.

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. Cash-settled share based payments are measured at fair value at the balance sheet date. The Company recognises a liability at the balance sheet date based on these fair values, taking into account the estimated number of options that will actually vest and the current proportion of the vesting period. Changes in the fair value of the liability are recognised in the income statement.

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.

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.

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

1 Basis of preparation (continued)

Significant accounting policies (continued)

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. A segmental analysis of the Company's performance is attached below.

Year ended 31 December 2019

	Formula One £000	Other £000	Total £000
Revenue	95,426	12,091	107,517
Other operating income	8,235	228	8,463
	103,661	12,319	115,980
Net profit before taxation	(14,961)	32,943	17,982
Net assets	2,994	66,741	69,735

Year ended 31 December 2018

	Formula One £000	Other £000	Total £000
Revenue	130,743	979	131,722
Other operating income	6,911	136	7,047
	137,654	1,115	138,769
Net profit/ (loss) before taxation	12,506	(8,453)	4,053
Net (liabilities)/ assets	(586)	52,855	52,269

Williams Grand Prix Engineering Limited

Notes to the Financial Statements (continued)

3 Exceptional Item

On 31 December 2019, Williams Grand Prix Engineering sold its holding in Williams Advanced Engineering and its subsidiaries Williams Technology Ventures Limited, Williams Advanced Engineering Technologies Limited, and its 50% interest in Hyperbat Limited to EMK Capital partners. Simultaneously, Williams Grand Prix Engineering Limited subscribed to a minority interest of the ordinary shares in Joule Jersey Holdco Limited, the new ultimate parent company of the WAE sub-Company. EMK Capital Partners own the majority share of Joule Jersey Holdco Limited. A 25% minority interest in Joule Jersey Holdco Ltd was received as 12,898,002 preference shares with nominal value £1, to a total value of £12.9m. 20,000 ordinary shares with nominal value £1 were also received.

Total consideration of £37.8m was received, of which £3.6m of the consideration is contingent on receipt from a customer, expected in the next 12 months. Costs of £2.4m were recognised in respect of consultancy fees and other disposal related costs resulting in an exceptional profit on disposal in the income statement of £35.1m. Total cash received of £44.1m includes settlement of intercompany amounts owed by WAE and £6.2m deferred as rental income.

Gains and losses on subsidiaries are classified as exceptional on the basis that such disposals occur infrequently or at values significantly different to their previously assessed residual value. As such, the amounts earned or charged in any given year is not indicative of a trend in financial performance.

4 Operating profit

Operating profit is stated after charging/(crediting):

	2019 £000	2018 £000
Operating leases – plant and machinery	644	509
Foreign exchange losses	1,116	1,285
Profit on sale of tangible fixed assets	(513)	(2,040)
Exceptional profit on sale of subsidiary	(35,117)	-
Depreciation of tangible fixed assets	4,083	5,281
Amortisation of intangible fixed assets	1,026	821
Auditor's remuneration	80	80
Research and development expenditure credit	(6,474)	(6,552)

The notes on pages 15 to 33 form an integral part of these financial statements.

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

5 Auditor's remuneration

	2019	2018
	£000	£000
Audit of the financial statements	80	60
Fees payable to the Company's auditor and its associates for other services:		
Other assurance services	-	20

6 Particulars of employees

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

	2019	2018
	No.	No.
Administration and support	116	101
Research and development	486	489
Marketing	42	45
	644	635

The aggregate payroll costs were as follows:

	2019	2018
	£000	£000
Wages and salaries	45,345	45,779
Social security costs	4,863	5,614
Other pension schemes	1,917	1,948
	52,125	53,341

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.

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

7 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2019	2018
	£000	£000
Remuneration	4,870	7,581
Contributions paid to money purchase schemes	53	64
	4,923	7,645

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

	2019	2018
	No.	No.
Accruing benefits under money purchase pension schemes	3	2
Accruing benefits under a long-term incentive scheme	5	5

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

8 Directors' remuneration (continued)

In respect of the highest paid Director:

	2019	2018
	£000	£000
Remuneration	2,577	4,438
Company contributions to money purchase pension schemes	-	-
	2,577	4,438

9 Share-based payments

During 2015 and 2017, 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:

	2019	Weighted average exercise price £	2018	Weighted average exercise price £
	Share options No.		Share options No.	
Outstanding at 1 January	375,000	-	425,000	-
Exercised during the year	-	-	(50,000)	-
Lapsed during the year	(275,000)	-	-	-
Outstanding at 31 December	100,000	-	375,000	-
Exercisable at 31 December	90,000	-	165,000	-

The Company recognised total expenses of £1,507,000 in relation to equity-settled share-based payment transactions in the year (2018: £1,493,000), comprising share-based payment expenses of £1,324,000 (2018: £1,286,000) and £183,000 in relation to associated payroll taxes (2018: £102,000). The share-based payment expense for each option was calculated using the market share price of the Company as at the grant date and spread evenly over the vesting period.

10 Interest payable and similar expenses

	2019	2018
	£000	£000
Interest on bank borrowings	646	650
Interest on other loans	158	25
Interest payable on finance leases and hire purchase agreements	15	67
	819	742

The notes on pages 15 to 33 form an integral part of these financial statements.

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

11 Taxation

Tax on loss on ordinary activities

	2019	2018
	£000	£000
Current tax		
Corporation tax charge	-	-
	-	-

The Company has estimated losses of approximately £110.3 million (2018: £92.7 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 (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%).

The differences are reconciled below:

	2019	2018
	£000	£000
Profit on ordinary activities before tax	17,982	4,053
Corporation tax at standard rate	3,417	770
Permanent fixed asset differences	221	316
Expenses not deductible for tax purposes	1,260	511
Income not taxable for tax purposes	(8,150)	
Adjustment in research and development tax credit	209	(55)
Chargeable gains	30	-
Adjustments in respect of prior periods	-	-
Unrelieved tax losses utilised	3,013	(1,446)
Company relief claimed	-	(77)
Other differences	-	(19)
Total tax charge	-	-

A reduction in the UK corporation tax rate from 19% to 17% from 1 April 2020 was substantially enacted on 6 September 2016. Following the 2019 General Election, it is anticipated this rate cut will not be enacted. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

12 Long term financial asset

	2019	2018
	£000	£000
Cost and net book value as at 31 December	12,897	-

The notes on pages 15 to 33 form an integral part of these financial statements.

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

13 Investments in associate

	2019	2018
	£000	£000
Cost and net book value as at 31 December	<u>20</u>	<u>-</u>

On 31 December 2019, the Company acquired a minority shareholding in Joule Jersey Holdco as part of the disposal of the Williams Advanced Engineering sub-group.

14 Investments in subsidiary undertakings

	2019	2018
	£000	£000
Cost and net book value as at 31 December	<u>-</u>	<u>-</u>

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 2019 were £1 (2017: £1).

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.

The registered office address for all of the Company's subsidiaries is Grove, Wantage, Oxfordshire, OX12 0DQ.

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

15 Intangible fixed assets

	Software £000	Total £000
Cost		
At 1 January 2019	3,503	3,503
Additions	499	499
Transfers	-	-
At 31 December 2019	4,002	4,002
Amortisation		
At 1 January 2019	1,497	1,497
Charge for the year	1,026	1,026
Transfers	-	-
At 31 December 2019	2,523	2,523
Net book value		
At 31 December 2019	1,479	1,479
At 31 December 2018	2,006	2,006

16 Heritage assets

	£000
Valuation	
At 1 January 2019	19,958
Additions	150
Disposals	(312)
Revaluation	1,244
At 31 December 2019	21,040

Five year financial summary of heritage asset transactions:

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Additions	150	200	200	200	200
Disposals – carrying value	312	1,925	225	838	675
Disposals – sale proceeds	750	3,902	450	1,171	754
Impairment	-	-	-	-	50

The additions in the period relate to three cars capitalised as heritage assets. The last valuation of heritage assets was carried out in September 2019 by Girardo & Co, 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.

The notes on pages 15 to 33 form an integral part of these financial statements.

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

17 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost				
At 1 January 2019	30,667	54,133	2,528	87,328
Additions	688	1,293	26	2,007
Disposals	(236)	(142)	-	(378)
At 31 December 2019	31,119	55,284	2,554	88,957
Depreciation				
At 1 January 2019	1,378	47,240	1,389	50,007
Charge for the year	362	3,461	260	4,083
Disposals	-	(37)	-	(37)
At 31 December 2019	1,740	50,664	1,649	54,053
Net book value				
At 31 December 2019	29,379	4,620	905	34,904
At 31 December 2018	29,289	6,893	1,139	37,321

Leased assets

Included within the net book value of tangible fixed assets is £170,000 (2018: £469,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £302,000 (2018: £312,000).

18 Stocks

	2019 £000	2018 £000
Stock and work in progress	4,938	20
	4,938	20

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

19 Debtors

	2019	2018
	£000	£000
Trade debtors	14,907	7,741
Prepayments and accrued income	8,752	7,987
Other debtors	10,487	13,213
Intercompany receivables	-	21,067
Derivative financial asset	914	-
	35,060	50,008

20 Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Bank loans and overdrafts	1,635	12,231
Obligations under finance lease and hire purchase contracts	189	362
Trade creditors	2,008	3,108
Other taxes and social security	1,439	2,103
Accruals	16,452	11,678
Deferred income	30,013	23,872
Other creditors	341	2,667
Derivative financial liabilities	-	560
	52,077	56,581

21 Creditors: amounts falling due after more than one year

	2019	2018
	£000	£000
Bank loans and overdrafts	7,000	8,635
Obligations under finance lease and hire purchase contracts	-	189
Deferred income	5,809	-
	12,809	8,824

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. Within deferred income is £5.8m rental income deferred over 20 years.

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

22 Bank borrowings

	2019	2018
	£000	£000
Amounts repayable:		
In less than one year	1,635	12,231
In more than one year but less than two years	7,000	1,635
In more than two years but not more than five years	-	7,000
	8,635	20,866

23 Financial instruments

The Company has the following financial instruments:

	2019	2018
	£000	£000
Financial assets measured at amortised cost		
Trade and other debtors	25,394	20,954
Intercompany receivables	-	21,067
	25,394	42,021
Financial assets/(liabilities) measured at fair value through profit or loss		
Derivative financial instruments	914	(560)
	914	(560)
Financial liabilities measured at amortised cost		
Bank loans and overdrafts	(8,635)	(20,866)
Obligations under finance lease and hire purchase contracts	(189)	(551)
Trade and other creditors	(2,349)	(5,775)
	(11,173)	(27,192)

Objectives, policies and strategies for managing risks relating to financial instruments are disclosed within the Strategic Report on page 7.

Derivative financial instruments

The Company enters into forward foreign currency contracts to reduce exposure to foreign exchange rates. The forward foreign currency contracts have fixed maturities and exchange rates and the principal amount is also fixed. At 31 December 2019 the fair value of these contracts has been calculated by a third party and is an asset of £914,000 (2018: liability of £560,000).

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

23 Financial instruments (continued)

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 at 31 December 2020 comprised:

- A loan facility of £10,000,000 repayable in eight instalments over a three year term. These instalments are £500,000 on 30 April 2018 and every six months thereafter until 30 April 2021, with all outstanding sums repaid in full on 31 October 2021. The outstanding amount was £8,000,000 at 31 December 2019. This facility carries interest at 2.4% over LIBOR.
- A loan facility of £1,866,000 repayable in eighteen instalments over a two year term. These instalments are interest and capital repayments of £107,000 on 31 January 2019 and then every month thereafter, with all outstanding sums repaid in full on 30 June 2020.

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 the lender held over all assets of the Company, present and future.

24 Obligations under leases and hire purchase contracts

Amounts repayable under finance leases and hire purchase contracts:

	2019	2018
	£000	£000
Within one year	189	370
In two to five years	-	198
	189	568
Less finance charges allocated to future periods	-	(17)
	189	551

As at 31 December 2019 the Company had the following future minimum lease payments under non-cancellable operating leases, for each of the following periods:

	2019	2018
	£000	£000
Within one year	640	644
Within two to five years	1,403	2,009
In more than five years	-	34
	2,043	2,687

The notes on pages 15 to 33 form an integral part of these financial statements.

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

25 Contingent liabilities

The Company had no contingent liabilities as at 31 December 2019 or as at 31 December 2018.

26 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 £550,000 (2018: £559,000) from the Company.

During the year, the Company sold £nil (2018: £434,000) of services to Hollinger Motorsports LLC, a company of which Brad Hollinger, a Director of Williams Grand Prix Holdings PLC, is the majority shareholder. The amount outstanding from Hollinger Motorsports LLC as at 31 December 2019 was £nil (2018: £84,000).

The Company has an agreement with Marc Harris Sports Management Limited to provide certain services in association with the identification and management of drivers. Marc Harris Sports Management Limited is controlled by Marc Harris who is married to Claire Williams, a Director of the Company. During the year, a total of £197,000 (2018: £156,000) was due to Marc Harris Sports Management Limited for services provided. The amount outstanding to Marc Harris Sports Management Limited as at 31 December 2019 was £25,000 (2018: £156,000).

Williams Grand Prix Engineering has a number of agreements in place with Williams Advanced Engineering to provide property rental and technical and support services to the company under its new ownership from 1 January 2020. These agreements vary from transitional arrangements lasting only a few months to long terms agreements with an open ended timeframe. Areas covered by the agreements are principally IT and engineering and component manufacturing services. These services have been provided on an arms' length basis apart from rental of premises for which the value of a market rent has been deferred from the consideration received from the sale of WAE (see note 22).

27 Share capital and other reserves

Allotted, called up and fully paid shares

	2019		2018	
	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.

28 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £237,000 (2018: £395,000).

Williams Grand Prix Engineering Limited

Notes to the Financial Statements (continued)

29 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 Company of undertakings for which Company accounts have been drawn up is that headed by Williams Grand Prix Holdings PLC. These Company 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.

30 Events after the Balance Sheet Date

On April 3rd 2020 the Company concluded a refinancing to repay amounts owed to HSBC and receive additional funding from new financing partners. As part of this refinancing, amounts owing to HSBC plc under financing initially agreed in 2015, were settled. These loans are detailed in note 23, Financial Instruments.

The new refinancing arrangements retains long-standing banking partner HSBC in combination with new financing partners. The total funds provided to the Company under this new arrangement is \$45m.

Under these new arrangements, \$25m has been received secured against the Company's land, building, plant and machinery, repayable in full in April 2022. Interest of 5% is payable annually and further interest of 5% per annum is rolled up to be repaid in April 2022. The principal of the loan is to be repaid promptly upon receipt of proceeds of any assets the lending is secured against.

A further \$20m has been received secured against the Company's heritage assets. Interest of 5% is payable annually commencing from April 2020 whilst the principal of the loan will be repaid by equal annual instalments over a 5 year period ending in 2026. The principal of the loan is also to be repaid promptly upon receipt of proceeds of any assets the lending is secured against.

The total amount received by the Company in pound sterling, net of any charges and repayment of amounts owing to HSBC, was £28m.

The Company has terminated all agreements with ROKiT. At the balance sheet date an amount of \$1m was owed by ROKiT and carried within trade debtors relating to the 2019 season. There is an additional £9m within both trade debtors and deferred income at 31 December 2019 relating to ROKiT sponsorship of the 2020 season.

Williams Grand Prix Engineering Limited
Company Information

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 D Lafferty
 P Lowe (resigned 25 June 2019)
 M O'Driscoll
 C Williams
 F Williams

Company secretary M Biddle

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