

Financial Statements MSV Group Limited

For the Year Ended 31 December 2017



Company information

Company registration number	04975889
Registered office	MotorSport Vision Centre Brands Hatch Fawkham Longfield Kent DA3 8NG
Directors	Dr J C Palmer Sir P J Ogden
Secretary	P G Hopkins
Banker	Allied Irish Bank 202 Finchley Road London NW3 6BX
Auditor	Grant Thornton UK LLP Chartered Accountants 2 nd Floor, St John's House Haslett Avenue West Crawley West Sussex RH10 1HS

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Strategic Report

Business review

The financial performance for the year can be summarised by the following key performance indicators which the directors have found useful in monitoring the group's progress:

	2017 £'000	2016 £'000
Turnover	54,332	41,835
Earnings/(loss) before interest, tax, impairment, depreciation and amortization	8,294	(1,139)
Cash at bank and in hand	8,762	2,551
Head count	734	602

The group's loss in 2016, as explained in the 2016 financial statements, was entirely due to exceptional one-off investment activity within the group's driver investment business. Having returned to substantial positive earnings in 2017 the directors are therefore satisfied with the performance of the group and are confident that earnings will continue to grow in 2018.

During the year the company purchased the trade and operating assets of Donington Park and entered a 20-year lease for the track of Donington Park.

The group continues to carry out and strengthen its core activities in 2018, including further enhancements to its Donington Park circuit and ongoing development works at its Laon Autodrome motorsport complex in France.

Financial risk management objectives and policies

The group uses financial instruments, other than derivatives, comprising borrowings, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations. The main risks arising from the group's financial instruments are interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The group finances its operations through a mixture of retained profits and bank borrowings. The group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating rate facilities.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest any cash assets safely and profitably. The group policy throughout the year has been to ensure continuity of funding by using variable rate debt from the company's bankers. Due to the nature of the group's business, customers pay in advance of events so the company remains cash positive. Debt is structured so repayments can be made out of cash generated through operations.

Strategic Report (continued)

Economic risk

The group is aware how changes in economic conditions can have a significant impact on the business. In order to manage and mitigate this risk, the group's strategy is to diversify its motorsport activities and to be ready to respond quickly and appropriately to changes in the economic climate.

Litigation risk

Operating in the motorsport industry presents a number of challenges. Failure to meet those challenges can be costly both financially and in terms of impact on people and the environment. Environmental and health and safety issues can result in substantial and protracted litigation. To successfully manage and mitigate those risks, the group seeks to ensure that it remains up to date and fully aware of its responsibilities and obligations, and where necessary employs appropriately qualified professionals to provide expert help and guidance.

BY ORDER OF THE BOARD



P G Hopkins
Secretary
28 September 2018

Directors' Report

The directors present their report and the financial statements of the company for the year ended 31 December 2017.

Principal activities

The principal activity of the group during the year was the operation of motor racing circuits and related ancillary activities. The company is the holding company for the group and also owns a freehold property which it leases to another group entity.

Directors

The directors who served the company were as follows.

Dr J C Palmer
Sir P J Ogden

Results and dividends

There was a profit for the year after taxation amounting to £5,686,000 (2016 loss: £2,594,000). The directors have not recommended the payment of a dividend in the year (2016: £nil).

Going concern

The group's forecasts for the year ending 31 December 2019 show that the group should be able to operate within the level of its current facilities and within its financial covenants. Those facilities include an overdraft and loans subject to both fixed and variable interest rates. Variable interest rates are charged at 2.4% over LIBOR and fixed interest rates are charged at 3.33% through an interest rate swap. Security provided includes fixed legal charges over the group's freehold property and chattel mortgages over certain fixed assets. Loans are repayable in instalments and all borrowings are subject to cross guarantees provided by all group undertakings. The group operates centralised treasury and banking arrangements and the various companies within it benefit from the support of each other. The directors have assessed those arrangements and the availability of funds within the group.

On the basis of that assessment the directors consider that the group will be able to continue in operational existence for the foreseeable future and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' responsibilities statement

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 director to prepare financial statements for each financial year. Under that law the director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Directors' Report (continued)

Directors' responsibilities statement (continued)

Under company law the director must not approve the financial statements unless 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 director is required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors 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.

Matters covered in the strategic report

Information relating to business activities, likely future developments in the business, its financial position and its exposure to risks have been disclosed within the Group Strategic Report in accordance with S414c(ii) of the Companies Act 2006.

Disabled employees

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the period, the policy of providing employees with information about the group has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Directors' Report (continued)

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 485(4) of the Companies Act 2006.

BY ORDER OF THE BOARD



P G Hopkins
Secretary
28 September 2018



Independent auditor's report to the members of MSV Group Limited

Opinion

We have audited the financial statements of MSV Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Principal accounting policies, the Consolidated statement of comprehensive income, the Consolidated and company balance sheets, the Consolidated statement of cashflows, the Consolidated and company statements of changes in equity and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Independent auditor's report to the members of MSV Group Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the strategic report and directors' report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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



Independent auditor's report to the members of MSV Group Limited (continued)

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement on pages 5 and 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton UK LLP

Jonathan Maile BSc (Hons) FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Crawley
28 September 2018

Principal accounting policies

Company information

MSV Group Limited is a limited liability company incorporated in England and Wales. The registered office address is MotorSport Vision Centre, Brands Hatch, Fawkham, Longfield, Kent, DA3 8NG.

The principal activity of the group during the year was the operation of motor racing circuits and related ancillary activities. The company is the holding company for the group and also owns a freehold property which it leases to another group entity.

Basis of accounting

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£).

Going concern

A summary of the group's performance is set out in the Business Review section of the Strategic Report on page 3. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The group has when necessary met its day to day working capital requirements through an overdraft facility. The current economic conditions create uncertainty, particularly over the level of demand for the group's services.

The group's forecasts and projections for the year ending 31 December 2019, which allow for reasonable fluctuations in trading performance, show that the group should be able to operate within the level of its current facility and within its financial covenants.

The group operates centralised treasury and banking arrangements and the various companies within it benefit from the support of each other. The directors have assessed those arrangements and the availability of funds within the group.

On the basis of that assessment the directors consider that the group will be able to continue in operational existence for the foreseeable future and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 31 December 2017.

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Principal accounting policies (continued)

Consolidation (continued)

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately on the face of the consolidated statement of financial position immediately below goodwill.

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interest (NCI) is the equity in a subsidiary not attributable, directly or indirectly, to the parent. Profit or loss and each component of other comprehensive income of the subsidiary is attributed to the owners of the parent and to any NCI. NCI is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. NCI in the profit or loss of the group is disclosed separately in the statement of comprehensive income.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

The individual accounts of MSV Group Limited have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including:
 - categories of financial instruments,
 - items of income, expenses, gains or losses relating to financial instruments, and
 - exposure to and management of financial risks.

Turnover

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts. Event turnover is recognised once the customer has attended the relevant event. The sale of motor parts is recognized when the goods have been delivered. Catering sales are recognized at the point the sale is made.

Sponsorship income is recognised over the period that the sponsorship is earned.

Rent receivable under operating leases is recognised as income on a straight line basis over the period of the lease and is shown as other operating income.

Pension

The Group operated a defined contribution pension scheme and the pension charge represents the amounts payable by the Group to the fund in respect of the year.

Principal accounting policies (continued)

Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- Goodwill 20 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

If the net fair value of the identifiable assets and liabilities acquired exceeds the cost of a business combination, the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in profit or loss in the periods expected to be benefitted.

Fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

Freehold buildings	-	50 years straight line
Tracks (in freehold buildings)	-	15 years straight line
Plant & machinery	-	10 years straight line
Fixtures & fittings(in plant & machinery)	-	3-10 years straight line
Helicopter	-	25 years straight line
Acroplane	-	20 years straight line
Motor vehicles	-	5 years straight line

No depreciation is provided on freehold land.

Investment properties

Investment properties are initially recognised at cost, and then revalued to fair value at each reporting date. Gains and losses are credited or charged to the consolidated statement of comprehensive income. No depreciation is provided on investment properties.

Principal accounting policies (continued)

Stocks

Stock are stated at the lower of cost, using the first in first out method, and selling price less costs to complete and sell. Stocks consist of motor vehicle parts and catering items.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Operating lease agreements

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

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference

Principal accounting policies (continued)

Taxation (continued)

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Financial instruments

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in profit or loss. Outstanding non-basic instruments at reporting date are included under the appropriate format heading depending on the nature of the derivative.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the Statement of comprehensive income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

- Useful economic life of tangible assets (note 9 and page 13)
- Valuation of investment property (note 10)
- Valuation of convertible loan note (note 16)

Consolidated statement of comprehensive income

	Note	2017 £'000	2016 £'000
Turnover	1	54,332	41,835
Cost of sales		(23,182)	(19,803)
Gross profit		31,150	22,032
Administrative expenses		(26,801)	(25,136)
Other operating income		2,245	523
Operating profit/(loss)		6,594	(2,581)
Interest receivable	3	1,004	4
Interest payable and similar charges	4	(338)	(399)
Profit/(loss) on ordinary activities before taxation	1	7,260	(2,976)
Tax on profit/(loss) on ordinary activities	5	(1,574)	382
Profit/(loss) and total comprehensive income for the financial year		5,686	(2,594)
Profit/(loss) and total comprehensive income for the financial year attributable to:			
Owners of the parent		5,650	(2,594)
Non-controlling interest		36	-
		5,686	(2,594)

The company has no other comprehensive income.

Consolidated and company balance sheets

Company registration number 04975889

	Note	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Fixed assets					
Intangible assets	7	653	-	-	-
Tangible assets	9	28,182	28,427	-	-
Investment property	10	2,102	1,742	8,277	8,057
Investments	11	275	275	9,276	9,276
		<u>31,212</u>	<u>30,444</u>	<u>17,553</u>	<u>17,333</u>
Current assets					
Stocks	12	1,030	1,020	-	-
Debtors	13	2,764	3,385	9,693	3,247
Cash at bank and in hand		8,762	2,551	57	141
		<u>12,556</u>	<u>6,956</u>	<u>9,750</u>	<u>3,388</u>
Creditors: amounts falling due within one year	14	<u>(14,019)</u>	<u>(11,756)</u>	<u>(11,612)</u>	<u>(5,536)</u>
Net current liabilities		<u>(1,463)</u>	<u>(4,800)</u>	<u>(1,862)</u>	<u>(2,148)</u>
Total assets less current liabilities		<u>29,749</u>	<u>25,644</u>	<u>15,691</u>	<u>15,185</u>
Creditors: amounts falling due after more than one year	15	(6,275)	(8,275)	(275)	(275)
Provision for liabilities					
Deferred taxation	18	(346)	(127)	-	-
		<u>23,128</u>	<u>17,242</u>	<u>15,416</u>	<u>14,910</u>
Capital and reserves					
Called up share capital	19	13	13	13	13
Share premium account	20	9,084	9,084	9,084	9,084
Capital redemption reserve	20	3	3	3	3
Profit and loss account	20	14,251	8,142	6,316	5,810
Non-controlling interest		(223)	-	-	-
Shareholders' funds		<u>23,128</u>	<u>17,242</u>	<u>15,416</u>	<u>14,910</u>

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Statement of Comprehensive Income in these financial statements. The parent company's profit for the period was £506,000 (2016: £589,000).

These financial statements were approved by the directors on 28 September 2018 and are signed on their behalf by:

Dr J C Palmer
Director

The accompanying accounting policies on pages 11 to 15 and the notes on pages 21 to 31 form part of these financial statements.

Consolidated statement of cash flows

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit/ (loss) for the financial year		5,686	(2,594)
Adjustments for:			
Interest payable and similar charges		338	399
Interest receivable and similar income		(1,004)	(4)
Taxation		1,574	(382)
Depreciation and impairments		1,666	1,442
Amortisation of goodwill		34	-
Property revaluation gain		(15)	(15)
Loss on disposal of fixed assets		126	14
(Increase)/decrease in stock		(10)	88
Decrease in debtors		621	1,077
Increase in creditors		2,667	311
Income taxes paid		(2)	(66)
Net cash generated from operating activities		11,681	270
Cash flows from investing activities			
Interest received and similar income		4	4
Purchase of goodwill	7	(687)	-
Purchase of tangible fixed assets	9	(1,556)	(3,960)
Purchase of investment property	10	(345)	-
Sale of tangible fixed assets		9	1,875
Proceeds from issue of subsidiary shares		200	-
Investment in Associate		-	(275)
		(2,375)	(2,356)
Cash flows from financing activities			
Interest paid	4	(338)	(399)
Receipt from borrowings		1,000	15,275
Repayments of borrowings		(3,140)	(5,164)
Cancellation and distribution of share premium		-	(5,000)
		(2,478)	4,712
Increase in cash and cash equivalents		6,828	2,626
Cash and cash equivalents at the beginning of the year		1,934	(692)
Cash and cash equivalents at the end of the year		8,762	1,934
Cash		8,762	2,551
Bank overdraft		-	(617)
Cash and cash equivalents		8,762	1,934

The accompanying accounting policies on pages 11 to 15 and the notes on pages 21 to 31 form part of these financial statements.

Consolidated statement of changes in equity

	Called-up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Non- controlling interests	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
At 1 January 2016	13	14,084	3	10,736	-	24,836
Comprehensive income for the year						
Loss and total comprehensive income for the year	-	-	-	(2,594)	-	(2,594)
Transactions with owners						
Cancellation of share premium	-	(5,000)	-	-	-	(5,000)
At 31 December 2016	13	9,084	3	8,142	-	17,242
Comprehensive income for the year						
Profit and total comprehensive income for the year	-	-	-	5,686	-	5,686
Transactions with owners						
Issue of shares to non-controlling interest	-	-	-	196	4	200
Non-controlling interest – share of opening net liabilities	-	-	-	263	(263)	-
Non-controlling interest – share of profit and total comprehensive income for the year	-	-	-	(36)	36	-
At 31 December 2017	13	9,084	3	14,251	(223)	23,128

The accompanying accounting policies on pages 11 to 15 and the notes on pages 21 to 31 form part of these financial statements.

Company statement of changes in equity

	Called-up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
At 1 January 2016	13	14,084	3	5,221	19,321
Comprehensive income for the year					
Profit and total comprehensive income for the year	-	-	-	589	589
Transactions with owners					
Cancellation of share premium	-	(5,000)	-	-	(5,000)
At 31 December 2016	13	9,084	3	5,810	14,910
Comprehensive income for the year					
Profit and total comprehensive income for the year	-	-	-	506	506
At 31 December 2017	13	9,084	3	6,316	15,416

The accompanying accounting policies on pages 11 to 15 and the notes on pages 21 to 31 form part of these financial statements.

Notes to the financial statements

1 Turnover and profit/(loss) on ordinary activities before taxation

The turnover and profit/(loss) on ordinary activities before taxation is attributable to the principal activity of the group as set out in the report of the directors and arose wholly in the United Kingdom. Turnover analysed by category was as follows:

	2017 £'000	2016 £'000
Rendering of services	48,611	36,500
Sale of goods supplied	5,721	5,335

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):

	2017 £'000	2016 £'000
Operating lease rentals		
- land and buildings	1,333	26
Amortisation of goodwill	34	-
Depreciation of owned tangible fixed assets	1,666	1,442
Loss on disposal of tangible fixed assets	126	14
Property revaluation gain	(15)	(15)
Changes in fair value of derivatives	27	87
Auditors' remuneration		
- audit services	48	47
-non-audit services - tax compliance	15	17

2 Directors and employees

The average number of staff employed by the group during the financial year was 734 (2016: 602).

	2017 Number	2016 Number
Operational	92	79
Sales and administration	111	102
Casual	531	421
	<u>734</u>	<u>602</u>

The aggregate payroll costs of the above were:

	2017 £'000	2016 £'000
Wages and salaries	10,973	9,533
Social security costs	858	789
Other pension costs	75	65
	<u>11,906</u>	<u>10,387</u>

Remuneration in respect of the directors was as follows:

	2017 £'000	2016 £'000
Emoluments – highest paid director	59	203

Notes to the financial statements (continued)

3 Interest payable and similar charges

	2017 £'000	2016 £'000
Bank interest receivable	4	4
Fair value adjustment on financial instruments (note 16)	1,000	-
	<u>1,004</u>	<u>4</u>

4 Interest payable and similar charges

	2017 £'000	2016 £'000
Bank loans, overdrafts and other loans	275	394
Other interest	-	-
Other similar charges (note 16)	63	5
	<u>338</u>	<u>399</u>

5 Tax on profit on ordinary activities

Analysis of charge in the year

	2017 £'000	2016 £'000
Current tax:		
In respect of the year:		
UK corporation tax	1,446	32
Adjustments in respect of prior periods (current)	(91)	(19)
Total current tax	<u>1,355</u>	<u>13</u>
Deferred tax:		
Origination and reversal of timing differences	217	(361)
Adjustments in respect of prior periods	2	(6)
Effect of tax rate change on opening balance	-	(28)
Total deferred tax charge	<u>219</u>	<u>(395)</u>
Tax on profit/(loss) on ordinary activities	<u>1,574</u>	<u>(382)</u>

Notes to the financial statements (continued)

5 Tax on profit on ordinary activities (continued)

Factors affecting current tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK at 19.25% (2016: 20.00%). The differences are explained below:

	2017 £'000	2016 £'000
Profit/(loss) on ordinary activities before tax	7,260	(2,976)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	1,397	(595)
Effect of:		
Expenses not deductible for tax purposes	155	203
Other tax adjustments, reliefs and transfers	(102)	-
Adjustments in respect of prior periods	(91)	(19)
Adjustment in respect of prior periods - deferred tax	2	(6)
Adjust closing deferred tax to average rate of 19.25%	(46)	(22)
Adjust opening deferred tax to average rate of 19.25%	17	57
Deferred tax not recognized	242	-
Tax charge/(credit) for the period	1,574	(382)

6 Profit for the financial year

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's profit for the year was £506,000 (2016: £589,000).

7 Intangible fixed assets

	Goodwill £'000
Group	
Cost	
At 1 January 2017	-
Additions	687
At 31 December 2017	687
Depreciation	
At 1 January 2017	-
Charge for the year	34
At 31 December 2017	34
Net book value	
At 31 December 2017	653
At 31 December 2016	-

Amortisation of intangible fixed assets is included in administrative expenses.

Notes to the financial statements (continued)

8 Business combinations

On 12 January 2017 the trade and assets of Donington Park were purchased, and an agreement was reached to lease the Donington Park Estate for an initial 20 year term. The operating company of Donington Park was not purchased.

The total consideration including costs was £1,188,008. Net assets of £500,955 were purchased giving rise to goodwill of £687,053. The net assets were purchased at book value, which was also determined to be the fair value of the assets. No separable intangibles assets have been identified as a result of this business combination. The goodwill will be amortised over the life of the initial lease, 20 years.

9 Tangible fixed assets

Group	Freehold Land and Buildings £'000	Plant & Machinery £'000	Aeroplane and Helicopter £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 January 2017	28,522	5,883	5,877	9,861	50,143
Additions	520	603	-	433	1,556
Disposals	-	(110)	-	(108)	(218)
At 31 December 2017	<u>29,042</u>	<u>6,376</u>	<u>5,877</u>	<u>10,186</u>	<u>51,481</u>
Depreciation					
At 1 January 2017	7,647	4,835	534	8,700	21,716
Charge for the year	592	313	269	492	1,666
Disposals	-	-	-	(83)	(83)
At 31 December 2017	<u>8,239</u>	<u>5,148</u>	<u>803</u>	<u>9,109</u>	<u>23,299</u>
Net book value					
At 31 December 2017	<u>20,803</u>	<u>1,228</u>	<u>5,074</u>	<u>1,077</u>	<u>28,182</u>
At 31 December 2016	<u>20,875</u>	<u>1,048</u>	<u>5,343</u>	<u>1,161</u>	<u>28,427</u>

Included within freehold property is land of £11,348,000 (2016: £11,348,000) which is not depreciated.

Notes to the financial statements (continued)

10 Investment property

Group	£'000
Valuation	
At 1 January 2017	1,742
Additions	345
Revaluation	15
At 31 December 2017	<u>2,102</u>
Company	£'000
Valuation	
At 1 January 2017	8,057
Revaluation	220
At 31 December 2017	<u>8,277</u>

Certain freehold property has been classified as investment property, is held at valuation and is not depreciated. The value of the property at 31 December 2016 and 31 December 2017 has been extrapolated by the directors from an external valuation of the property in May 2016 and on an assumption of straight-line annual movement in value. The external valuation was carried out in accordance with the "RICS Valuation – Professional Standards January 2014" and was primarily based on the market comparable approach which reflects recent market transactions on arm's length terms for comparable properties.

11 Investments

Company	£'000
Shares in subsidiary undertakings:	
At 1 January 2017	9,001
At 31 December 2017	<u>9,001</u>
Shares in associate companies:	
At 1 January 2017	275
At 31 December 2017	<u>275</u>

The share in associate companies represents the cost of 5% of the share capital of Blinkbushe Limited. This was funded through a £275,000 director loan included within note 15 of these financial statements.

Notes to the financial statements (continued)

11 Investments (continued)

The investments in subsidiaries represent the cost of the share capital of the company's wholly owned (except where indicated) subsidiary undertakings, which are all incorporated in England and Wales as follows:

Subsidiary	Principal activity	Class of shares
Motorsport Vision Ltd	Operation of motor racing circuits and related ancillary activities	£1 ordinary
JPM Ltd	Provision of corporate track events and related ancillary activities	£1 ordinary
Motorsport Vision Racing Ltd	Organisation of racing events	£1 ordinary
Motorsport Vision Racing Club Ltd	Organisation of racing events	Limited by guarantee
MSV Investar Ltd (98% owned)	Investment in and sponsorship of new up and coming racing drivers	£1 ordinary
Formula Two Ltd	Operation of racing series - dormant	£1 ordinary
National Motor Racing Archive	Preservation of motor racing history – dormant	Limited by guarantee
MSV France (SAS)	Operation of motor racing circuits – non-trading	Ordinary

Parental guarantees to subsidiary undertakings

For the year ended 31 December 2017 MSV Group Limited has provided a guarantee in respect of all liabilities due by the following subsidiary companies: Motorsport Vision Racing Limited (Company No 05744532), Motorsport Vision Racing Club Limited (Company No 06574249) and MSV Investar Limited (Company No 04879606), thus entitling them to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

12 Stocks

Group	2017 £'000	2016 £'000
Consumables	<u>1,030</u>	<u>1,020</u>

Stock recognised in cost of sales during the year as an expense was £3,382,000 (2016: £3,482,000).

13 Debtors

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade debtors	1,274	811	25	82
Amounts due from group undertakings	-	-	9,668	3,165
Prepayments and accrued income	1,386	2,054	-	-
VAT recoverable	104	520	-	-
	<u>2,764</u>	<u>3,385</u>	<u>9,693</u>	<u>3,247</u>

Interest is charged on group financing loans, being a variable interest rate charged at 2.4% over LIBOR.

Notes to the financial statements (continued)

14 Creditors: amounts falling due within one year

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Bank overdraft	-	617	-	-
Bank loan	2,000	2,300	-	-
Trade creditors	1,733	1,232	-	-
Amounts owed to group undertakings	-	-	11,411	5,452
Corporation tax	1,387	35	120	-
Social security and other taxes	1,321	456	-	-
Other creditors	704	754	81	84
Accruals and deferred income	4,307	2,955	-	-
Directors loans (note 27)	2,567	3,407	-	-
	<u>14,019</u>	<u>11,756</u>	<u>11,612</u>	<u>5,536</u>

Interest is charged on group financing loans, being a variable interest rate charged at 2.4% over LIBOR.

15 Creditors: amounts falling due after more than one year

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Other creditors	-	-	-	-
Bank loans	6,000	8,000	-	-
Other loans (note 16)	-	-	-	-
Directors loans (note 27)	275	275	275	275
	<u>6,275</u>	<u>8,275</u>	<u>275</u>	<u>275</u>

Notes to the financial statements (continued)

16 Borrowings

Borrowings are repayable as follows:	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Within one year:				
Bank overdraft	-	617	-	-
Bank loans	2,000	2,300	-	-
Director's loan	2,567	3,407	-	-
After one and within two years:				
Bank loans	2,000	2,000	-	-
After two years and within five years				
Bank loan	4,000	6,000	-	-
Director's loan	275	275	275	275
After five years				
Other loan	-	-	-	-
	10,842	14,599	275	275

The bank loans are repayable in installments. Interest on loans with variable interest rates are charged at 2.4% over LIBOR. Interest on loans that have a fixed interest rate are charged at 3.33% under an interest rate swap. All bank loans are secured by fixed legal charges over the group's freehold property and chattel mortgages over certain fixed assets. All group undertakings have entered into cross guarantees in respect of these borrowings.

The other loan is a convertible loan note that was issued on 9 May 2017 by a group undertaking. The holder is entitled to 5% of profits annually, giving rise to an interest charge of £63,000 for the year ended 31 December 2017. If conversion is triggered, it will convert to a 5% equity shareholding in that undertaking. The financial instrument is considered non-basic and the director of the group undertaking is required to consider the value of the loan note and adjust accordingly. Given the uncertainty as to the future prospects of the group undertaking to which the loan note relates, the director considers the fair value of the loan note at 31 December 2017 to be £nil. Accordingly, a fair value gain of £1,000,000 has been recognised within the income statement.

17 Provisions for liabilities

	Deferred taxation (note 18) £'000
At 1 January 2017	127
Origination and reversal of timing differences	217
Adjustments in respect of prior periods	2
At 31 December 2017	346

Notes to the financial statements (continued)

18 Deferred taxation

Deferred taxation provided for in the financial statements is set out below:

	Group 2017 £'000	Group 2016 £'000
Accelerated capital allowances	347	349
Short term timing differences	(1)	(2)
Tax losses carried forwards	-	(220)
	<u>346</u>	<u>127</u>
At 1 January	127	522
Charge to profit and loss account for the year	219	(395)
At 31 December	<u>346</u>	<u>127</u>

19 Share capital

	2017 £'000	2016 £'000
Authorised share capital: 100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid: 12,600 ordinary shares of £1 each	<u>13</u>	<u>13</u>

20 Reserves

Called-up share capital – represents the nominal value of shares that have been issued.

Share premium account – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Capital redemption reserve – a non-distributable reserve which represented amounts transferred following the redemption or purchase of the company's own shares

Profit and loss account – includes all current and prior period retained profits and losses.

Notes to the financial statements (continued)

21 Operating lease commitments

At 31 December 2017 the group had annual commitments under non-cancellable operating leases as set out below:

	Land & buildings	
	2017	2016
	£'000	£'000
Within one year	1,333	33
Between one and five years	5,222	55

22 Pension commitments

The Group operates a defined contribution scheme for its employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The unpaid contributions outstanding at the year end, included in accruals and deferred income (note 14) are £10,000 (2016: £10,000).

23 Contingent liabilities

All group undertakings have entered into a cross company guarantee in respect of the group's bank borrowings. At 31 December 2017 the amount so guaranteed amounted to £8,000,000 (2016: £10,917,000).

24 Financial assets and liabilities

	2017	2016
Group	£'000	£'000
Financial assets measured at amortised cost	1,274	811
Financial liabilities measured at amortised cost	13,279	16,585
Financial liabilities measured at fair value through income statement	-	-
	2017	2016
Company	£'000	£'000
Financial assets measured at amortised cost	9,693	3,247
Financial liabilities measured at amortised cost	11,767	5,811

Notes to the financial statements (continued)

25 Financial risk management

The group uses financial instruments, other than derivatives, comprising borrowings, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations. The main risks arising from the group's financial instruments are interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The group finances its operations through a mixture of retained profits and bank borrowings. The group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating rate facilities.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest any cash assets safely and profitably. The group policy throughout the year has been to ensure continuity of funding by using variable rate debt from the company's bankers. Due to the nature of the group's business, customers pay in advance of events so the company remains cash positive. Debt is structured so repayments can be made out of cash generated through operations.

Economic risk

The group is aware how changes in the economic conditions can have a significant impact on the business. In order to manage and mitigate this risk, the group's strategy is to diversify its motorsport activities and to be ready to respond quickly and appropriately to changes in the economic climate.

Litigation risk

Operating in the motorsport industry presents a number of challenges. Failure to meet those challenges can be costly both financially and in terms of impact on people and the environment. Environmental, health and safety issues can result in substantial and protracted litigation. To successfully manage and mitigate those risks the group seeks to ensure that it remains up to date and fully aware of its responsibilities and obligations, and where necessary employs appropriately qualified professionals to provide expert help and guidance.

26 Control

Dr J C Palmer controls the company by virtue of his 75% shareholding in its ordinary share capital.

27 Related party transactions

MSV Group Limited has taken advantage of the exemption in Financial Reporting Standard 102 not to disclose transactions between it and its subsidiary undertakings.

At 31 December 2017, an amount of £1,447,000 (2016: £2,176,000) was due to Dr J C Palmer, a director and shareholder of the company. The maximum amount due during the year was £2,176,000 and accumulated interest on the balance due was £nil (2016: £nil).

At 31 December 2017, an amount of £1,395,000 (2016: £1,506,000) was due to Sir Peter Ogden, a director and shareholder of the company. The maximum amount due during the year was £1,506,000 and accumulated interest on the balance due was £nil (2016: £5,034).