

# Financial Statements

## Force India Formula One Team Limited

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**For the Year Ended 31 December 2015**



**Registered number: 02417588**

**Force India Formula One Team Limited**

## Company Information

|                            |  |
|----------------------------|--|
| <b>Directors</b>           | Subrata Roy Sahara<br>Dr Vijay Mallya<br>Sushanto Roy<br>A K Ravindranath Nedungadi<br>Sandeep Wadhwa<br>Robert Fernley<br>Abhijit Sarkar<br>T V Lakshmi Kanthan |
| <b>Company secretary</b>   | Sankaranarayanan Ramamurthy  |
| <b>Registered number</b>   | 02417588   |
| <b>Registered office</b>   | Force India Formula One Team<br>Dadford Road<br>Silverstone<br>Towcester<br>Northamptonshire<br>NN12 8TJ   |
| <b>Independent auditor</b> | Grant Thornton UK LLP<br>Chartered Accountants & Statutory Auditor<br>Grant Thornton House<br>202 Silbury Boulevard<br>Milton Keynes<br>MK9 1LW                  |
| <b>Bankers</b>             | Santander UK plc<br>Santander House<br>Grafton Gate East<br>Milton Keynes<br>MK9 1AN   |
| <b>Solicitors</b>          | Burges Salmon<br>6 New Street Square<br>London<br>EC4A 3BF<br><br>Hamblins<br>Roxburghe House<br>273-287 Regent Street<br>London<br>W1B 2AD                      |

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# Strategic Report

**For the Year Ended 31 December 2015**

## **Introduction**

The principal activity of the company during the year continued to be the operation of a Formula 1 team.

## **Business review**

Orange India Holdings S.a.r.l., the parent company, continued its commitment to investment into the company. This commitment of investment continues to increase the financial stability and further strengthens the prospects of the business going forward.

The introduction of the new F1 hybrid engine technology was without a doubt the most innovative and technically advanced Formula One power unit development over the last thirty years and whilst both engine manufacturers and race teams struggled to overcome the challenges related to the introduction of such advanced technology, Force India together with its partner, Mercedes were one of the first teams to harness the technological benefits which resulted in a strong finish to the season.

Force India achieved fifth place in the Constructors' Championship - the most successful result in the team's history. Not only does this provide a direct increase in revenues received from FOM, but also raised Force India's profile within the championship. The trackside result contributed to the team being named 'Star of the year' in a fan vote on the official Formula One website.

The team successfully finished in the points in 15 out of 19 races, scoring 97 (71%) of its points after the summer shutdown. The team also celebrated both its 150th race under the banner of Force India, and its 435th as a formula one team.

Force India looks to build on the successes of 2015, building further on its multi-year technological partnership with Mercedes, now in its eighth season. The multi-year deal with Toyota Motor Group continues to yield excellent results, this combined with the investment to its personnel provided further stability going forward. Further investment was also made to the existing CFD asset, this continues in the 2016 season. Optimal performance continues to be the key driving force of the company, both internally and externally

Force India continued its technological partnerships with Univer and Koni during 2015, continuing into the 2016 season.

The Directors believe that there are very good prospects for the 2016 season, continuing on from the previous year's success both on and off track. The team has clear ambitions for podium finishes in the current season and continues its development process to attain these aspirations strengthened by the continued driver line up of Nico Hulkenberg and Sergio Perez for the 3rd successive year, also retaining the key players from its technical team, providing all-important consistency.

A multi-year Development Driver contract signed with Russian youngster, Nikita Mazepin, has secured a cash injection ahead of significant regulation changes for the 2017 season. The Force India commercial department is hopeful it will help facilitate additional sponsorship revenues from the Russian market, whilst building future deals with both the Mexican and domestic markets.

The team's business development programme continues to work to build on new sponsorship attained during 2015, seeing additions to both its sponsorship and partnership programmes. The 2016 season sees the continued sponsorship from Interproteccion, SkullCandy, Hype, TelMex and Quakerstate, creating stability to the teams portfolio.

The company's turnover increased from £59.92m in 2014 to £64.26m in 2015, as a result of higher sponsorship revenue and enhanced terms with existing partners and sponsors. The team believes that it can capitalise on its continued progression securing more financial and on-track opportunities for the team.

The directors continue to work with its suppliers, customers and staff to ensure the future and long-term success of the Team.

## Strategic report (continued)

### Principal risks and uncertainties

Running a Formula 1 team results in a number of specific risks and uncertainties. Such risks and uncertainties include the fluctuation in revenue caused by the availability of major sponsors and the prize fund for distribution from Formula One Management between the various teams. Coupled with this is the need to produce rule compliant and competitive cars, plus operate the team throughout the season, which requires significant investment.

Accordingly this can cause cash flow issues if sufficient revenue is not obtained. This is managed through the active pursuit of all revenue opportunities underpinned by the support of the ultimate parent undertaking.

### Financial risk management objectives and policies

The company uses various financial instruments which include loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below. The main risks arising from the company's financial instruments are interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks. These policies have remained unchanged from previous years.

### Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and for future investment.

### Interest rate risk

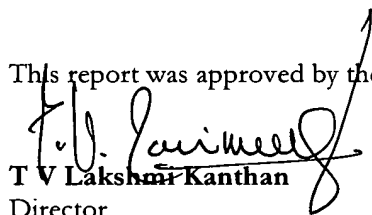
The company finances its operations through a mixture of bank borrowings and inter-company loans. The company is exposed to interest rate fluctuations on the bank borrowings. Interest costs are routinely reviewed and available options assessed in order to manage the risk.

The balance sheet includes trade debtors and creditors which do not attract interest and are therefore subject to fair value interest rate risk.

This report was approved by the board on

3/3/2016

and signed on its behalf.

  
T V Lakshmi Kanthan

Director

## **Directors' Report**

**For the Year Ended 31 December 2015**

The directors present their report and the financial statements for the year ended 31 December 2015.

### **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 directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

### **Results and dividends**

The loss for the year, after taxation, amounted to £6,809k (2014 -loss £15,421k).

### **Directors**

The directors who served during the year were:

Subrata Roy Sahara  
Dr Vijay Mallya  
Sushanto Roy  
A K Ravindranath Nedungadi  
Sandeep Wadhwa  
Robert Fernley  
Abhijit Sarkar  
T V Lakshmi Kanthan

## Directors' Report

For the Year Ended 31 December 2015

### Company's policy for payment of creditors

The company takes its opportunity to be an excellent business partner and in that perspective the company has the policy to keep in close contact with all partners and arrange payments schedules with all of them individually.

### Research and development activities

The company continues its programme of research and development at the forefront of the automotive and aerodynamic fields. We will invest in our own chassis to stay a constructor in the Formula 1 competition.

### Employees

The company is an equal opportunity employer with particular reference to non-discrimination and non-harassment on the basis of ethnic origin, religion, gender, age, disability and sexual orientation. The company gives disabled people the same consideration as other individuals. Matters which effect the group are communicated to employees through formal and informal meetings, internal announcements and regular contact with the directors and senior management.

### Matters covered in the strategic report

Certain information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the separate Strategic report in accordance with section 414c(11) of the Companies Act 2006.

### Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Post balance sheet events

There have been no significant events affecting the company since the year end.

### Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

3 / 3 / 2016

and signed on its behalf.



T V Lakshmi Kanthan  
Director



# Independent Auditor's Report to the Members of Force India Formula One Team Limited

We have audited the financial statements of Force India Formula One Team Limited for the year ended 31 December 2015, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditor**

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

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

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

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion 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.





## Independent Auditor's Report to the Members of Force India Formula One Team Limited

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

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

- adequate accounting records have not been kept, 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.

A handwritten signature in black ink that reads "Grant Thornton UK LLP".

John Corbishley (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP

Statutory Auditor

Chartered Accountants

Milton Keynes

Date: 3/3/2016.

# Statement of Comprehensive Income

For the Year Ended 31 December 2015

|   | Note | 2015<br>£000    | 2014<br>£000    |
|---|------|-----------------|-----------------|
| Turnover  | 3    | 64,259          | 59,919          |
| Cost of sales   |      | (55,573)        | (57,676)        |
|   |      | <u>8,686</u>    | <u>2,243</u>    |
| <b>Gross profit</b>   |      |                 |                 |
| Administrative expenses   |      | (27,363)        | (27,667)        |
|   |      | <u>(18,677)</u> | <u>(25,424)</u> |
| <b>Operating loss</b>   |      |                 |                 |
| Interest receivable and similar income  | 7    | -               | 12              |
| Interest payable and similar charges  | 8    | (465)           | (1,763)         |
|   |      | <u>(19,142)</u> | <u>(27,175)</u> |
| <b>Loss on ordinary activities before taxation</b>                                      |      |                 |                 |
| Taxation on loss on ordinary activities   | 9    | 12,333          | 11,754          |
|   |      | <u>12,333</u>   | <u>11,754</u>   |
| <b>Loss for the financial year</b>  |      | <u>(6,809)</u>  | <u>(15,421)</u> |
|   |      |                 |                 |
| <b>Total comprehensive income for the year attributable to the owners of the parent</b> |      | <u>(6,809)</u>  | <u>(15,421)</u> |

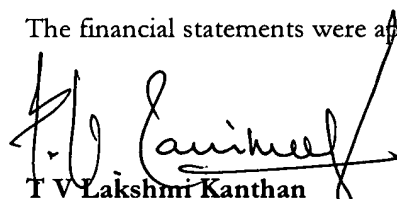
There were no recognised gains and losses for 2015 other than those included in the income statement.

## Statement of Financial Position

As at 31 December 2015

|   | Note | 2015<br>£000    | 2014<br>£000    |
|---|------|-----------------|-----------------|
| <b>Fixed assets</b>                                     |      |                 |                 |
| Intangible assets                                       | 10   | 2,454           | 2,796           |
| Tangible assets   | 11   | 9,246           | 10,119          |
|   |      | <u>11,700</u>   | <u>12,915</u>   |
| <b>Current assets</b>                                   |      |                 |                 |
| Stocks  | 12   | 310             | 401             |
| Debtors: Amounts falling due within one year            | 13   | 6,798           | 7,696           |
| Cash at bank and in hand                                | 14   | 867             | 36              |
|   |      | <u>7,975</u>    | <u>8,133</u>    |
| Creditors: Amounts falling due within one year          | 15   | (47,482)        | (44,770)        |
|   |      | <u>(39,507)</u> | <u>(36,637)</u> |
| <b>Net current liabilities</b>                          |      | <u>(39,507)</u> | <u>(36,637)</u> |
| <b>Total assets less current liabilities</b>            |      | <u>(27,807)</u> | <u>(23,722)</u> |
| Creditors: Amounts falling due after more than one year | 16   | (117)           | (83)            |
|   |      | <u>(27,924)</u> | <u>(23,805)</u> |
| <b>Net liabilities</b>                                  |      | <u>(27,924)</u> | <u>(23,805)</u> |
| <b>Capital and reserves</b>                             |      |                 |                 |
| Called up share capital                                 | 20   | 80,010          | 80,010          |
| Other reserves  |      | 155,933         | 153,243         |
| Profit and loss account                                 |      | (263,867)       | (257,058)       |
|   |      | <u>(27,924)</u> | <u>(23,805)</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3/3/16

  
T V Lakshmi Kanthan  
Director

The notes on pages 12 to 27 form part of these financial statements.

## Statement of Cash Flows

For the Year Ended 31 December 2015

|   | 2015<br>£000   | 2014<br>£000    |
|---|----------------|-----------------|
| <b>Cash flows from operating activities</b>         |                |                 |
| Loss for the financial year                         | (6,809)        | (15,421)        |
| <b>Adjustments for:</b>                             |                |                 |
| Amortisation of intangibles                         | 624            | 508             |
| Depreciation of tangible fixed assets               | 1,773          | 1,939           |
| Loss on disposal of tangible fixed assets           | -              | 521             |
| Decrease in stocks                                  | 91             | 414             |
| Interest paid                                       | 465            | 1,763           |
| Interest received                                   | -              | (12)            |
| Taxation  | (12,333)       | (11,754)        |
| Decrease/(increase) in debtors                      | 900            | (935)           |
| Increase/(decrease) in creditors                    | 6,312          | (2,322)         |
| Corporation tax recieved                            | 12,333         | 11,754          |
| <b>Net cash generated from operating activities</b> | <b>3,356</b>   | <b>(13,545)</b> |
| <b>Cash flows from investing activities</b>         |                |                 |
| Purchase of intangible fixed assets                 | (282)          | (2,131)         |
| Purchase of tangible fixed assets                   | (901)          | (472)           |
| Sale of tangible fixed assets                       | -              | 2,358           |
| Interest received                                   | -              | 12              |
| HP interest paid                                    | (20)           | (48)            |
| <b>Net cash from investing activities</b>           | <b>(1,203)</b> | <b>(281)</b>    |

## Statement of Cash Flows

For the Year Ended 31 December 2015

|   | 2015<br>£000   | 2014<br>£000 |
|---|----------------|--------------|
| <b>Cash flows from financing activities</b>                         |                |              |
| Repayment of loans  | -              | (10,767)     |
| Other new loans   | 472            | 3,912        |
| Repayment of other loans  | (3,912)        | (8,296)      |
| Repayment of/new finance leases                                     | (78)           | (241)        |
| Interest paid   | (445)          | (1,715)      |
| Capital contributions   | 2,690          | 25,377       |
|   | <u>(1,273)</u> | <u>8,270</u> |
| <b>Net cash used in financing activities</b>                        |                |              |
|   | 880            | (5,556)      |
| <b>Net increase / (decrease) in cash and cash equivalents (b/f)</b> |                |              |
| Cash and cash equivalents at beginning of year                      | (13)           | 5,543        |
|   | <u>867</u>     | <u>(13)</u>  |
| <b>Cash and cash equivalents at the end of year</b>                 |                |              |
| Cash at bank and in hand  | 867            | 36           |
| Bank overdrafts   | -              | (49)         |
|   | <u>867</u>     | <u>(13)</u>  |

## Statement of Changes in Equity

As at 31 December 2015

|   | Share capital<br>£000 | Other<br>reserves<br>£000 | Retained<br>earnings<br>£000 | Total equity<br>£000 |
|---|-----------------------|---------------------------|------------------------------|----------------------|
| At 1 January 2015                                   | 80,010                | 153,243                   | (257,058)                    | (23,805)             |
| Loss for the year                                   | -                     | -                         | (6,809)                      | (6,809)              |
| <b>Contributions by and distributions to owners</b> |                       |                           |                              |                      |
| Capital contributions                               | -                     | 2,690                     | -                            | 2,690                |
| <b>At 31 December 2015</b>                          | <b>80,010</b>         | <b>155,933</b>            | <b>(263,867)</b>             | <b>(27,924)</b>      |

## Statement of Changes in Equity

As at 31 December 2014

|   | Share capital<br>£000 | Other<br>reserves<br>£000 | Retained<br>earnings<br>£000 | Total equity<br>£000 |
|---|-----------------------|---------------------------|------------------------------|----------------------|
| At 1 January 2014                                   | 80,010                | 131,338                   | (245,109)                    | (33,761)             |
| Loss for the year                                   | -                     | -                         | (15,421)                     | (15,421)             |
| <b>Contributions by and distributions to owners</b> |                       |                           |                              |                      |
| Transfer to/from profit and loss account            | -                     | -                         | 3,472                        | 3,472                |
| Transfer between other reserves                     | -                     | (3,472)                   | -                            | (3,472)              |
| Capital contributions                               | -                     | 25,377                    | -                            | 25,377               |
| <b>At 31 December 2014</b>                          | <b>80,010</b>         | <b>153,243</b>            | <b>(257,058)</b>             | <b>(23,805)</b>      |

The notes on pages 12 to 27 form part of these financial statements.

# Notes to the Financial Statements

**For the Year Ended 31 December 2015**

## **1. Accounting policies**

### **1.1 Company information**

Force India Formula One Team Limited ("the Company") is a limited company domiciled and incorporated in England.

The Company's principal activities are described in the Directors' report.

### **1.2 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

This is the first year in which the financial statements have been prepared under FRS102. Information on the impact of first-time adoption of FRS 102 is given in note 25.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

### **1.3 Going concern**

The financial statements are prepared on a going concern basis, which assumes that the company will continue to operate for the foreseeable future.

The company is dependent on expected and existing sponsorship contracts and TV revenues from Formula One Management ("FOM"). The appropriateness of the going concern basis is dependent upon the company securing sufficient levels of sponsorship, or alternative sources of finance, to allow it to continue to operate. The company has been successful in securing additional sponsorship income and continues to perform strongly in the Constructors Championship, which in turn has reduced the loss in the current financial year.

The continued improvement in the financial performance of the company has further reduced the annual funding deficit, however, the company is still reliant on the continued support of its parent company, Orange India Holdings Sarl and its shareholders. Management have obtained a letter of support from Orange India Holdings Sarl confirming their continued financial support for a period of not less than 12 months from the date of approval of these financial statements. Based on past experience and the letter of support obtained, management are confident that Orange India Holdings Sarl will continue to provide the company with sufficient funds to enable the company to meet its liabilities as they fall due for a period of at least 12 months from the date of signature of these financial statements. Accordingly the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from this going concern basis of preparation being inappropriate.

# Notes to the Financial Statements

**For the Year Ended 31 December 2015**

## **1. Accounting policies (continued)**

### **1.4 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue represents the amounts (excluding value added tax) derived from sponsorship and promotional income, prize money and bonus payments. Revenue is included on an invoiceable basis apportioned to the relevant race season.

### **1.5 Barter transactions**

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

### **1.6 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

### **1.7 Tangible fixed assets**

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.



# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 1. Accounting policies (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

The estimated useful lives range as follows:

|                        |   |                                   |
|------------------------|---|-----------------------------------|
| Freehold property      | - | 2% per annum                      |
| Leasehold properties   | - | life of the lease                 |
| Leasehold improvements | - | 4-20% per annum reducing balance  |
| Plant and machinery    | - | 10-30% per annum reducing balance |
| Road vehicles          | - | 20% per annum reducing balance    |
| Computer equipment     | - | 10-25% per annum reducing balance |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

### 1.8 Operating leases

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

### 1.9 Leasing and hire purchase

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

# Notes to the Financial Statements

**For the Year Ended 31 December 2015**

## **1. Accounting policies (continued)**

### **1.10 Stocks**

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete stocks. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its deemed net realisable value. The impairment loss is recognised immediately in profit or loss.

### **1.11 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.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

### **1.12 Finance costs**

Finance costs are charged to the Income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### **1.13 Pensions**

#### **Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the Income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 1. Accounting policies (continued)

### 1.14 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans from banks and other third parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 1. Accounting policies (continued)

### 1.15 Foreign currency translation

#### Functional and presentation currency

The company's functional and presentational currency is GBP.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income statement within 'other operating income'.

### 1.16 Taxation

Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Research and development credits are recognised in the period in which the claim is agreed.

### 1.17 Research and development

All expenditure on research and development is written off to the profit and loss account in the year which it incurred.

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 2. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements under FRS 102 requires the Group to make estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In managements view there are no estimates that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities.

The judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below:

### Going Concern

The appropriateness of the going concern basis is dependent upon the company securing sufficient levels of sponsorship, or alternative sources of finance. The company is in a net liability position and whilst the improvement in financial performance has reduced the funding deficit, the company is still reliant on the continued support of it's parent undertaking, Orange India Holdings Sarl and it's shareholders. Based on past experience and a letter of support obtained from Orange India Holdings Sarl, management are confident that Orange India Holdings Sarl will continue to provide the company with financial support if requires and as such, the financial statements have been prepared on a going concern basis. This is a key judgement made by management.

For further information regarding managements assessment on going concern, refer to note 1.3.

### Impairment of non-current assets

The company made a loss for the year which could be considered an indicator of impairment of its non-current assets. However, the company holds these assets to enable it to compete in the Formula One World Championships and contribute to the development of new automotive technologies and hence it is not appropriate to use losses as an indication of impairment. As such, management have not carried out a detailed impairment review. This is a key judgement in applying the company's accounting policies in the preparation of the financial statements.

## 3. Analysis of turnover

All turnover arose within the United Kingdom and is derived from the principle activity of the company.

Turnover includes barter transactions amounting to £1,273k (2014: £1,234k).

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 4. Operating loss

The operating loss is stated after charging/(crediting):

|   | 2015<br>£000 | 2014<br>£000 |
|---|--------------|--------------|
| Research & development charged as an expense          | 18,080       | 20,570       |
| Depreciation of tangible fixed assets                 | 1,773        | 2,447        |
| Amortisation of intangible assets, including goodwill | 624          | (508)        |
| Exchange differences                                  | (224)        | (53)         |
| Defined contribution pension cost                     | 1,555        | 1,425        |

## 5. Auditor's remuneration

|   | 2015<br>£000 | 2014<br>£000 |
|---|--------------|--------------|
| Fees payable to the company's auditor and its associates for the audit of the company's annual accounts | 46           | 45           |
|   | <hr/>        | <hr/>        |
|   | 46           | 45           |
| <b>Fees payable to the company's auditor and its associates in respect of:</b>                          |              |              |
| Other services relating to taxation   | 174          | 211          |
|   | <hr/>        | <hr/>        |
|   | 174          | 211          |
|   | <hr/>        | <hr/>        |

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 6. Employees

Staff costs were as follows:

|                                     | 2015<br>£000  | 2014<br>£000  |
|-------------------------------------|---------------|---------------|
| Wages and salaries                  | 19,398        | 17,941        |
| Social security costs               | 2,742         | 2,132         |
| Cost of defined contribution scheme | 1,555         | 1,425         |
|                                     | <u>23,695</u> | <u>21,498</u> |

During the year, no director received any emoluments (2014 -£NIL)

The average monthly number of employees, including the directors, during the year was as follows:

|                       | 2015<br>No. | 2014<br>No. |
|-----------------------|-------------|-------------|
| Production            | 156         | 153         |
| Design                | 168         | 163         |
| Race team and testing | 37          | 39          |
| Admin                 | 21          | 21          |
|                       | <u>382</u>  | <u>376</u>  |

## 7. Interest receivable

|                           | 2015<br>£000 | 2014<br>£000 |
|---------------------------|--------------|--------------|
| Other interest receivable | -            | 12           |
|                           | <u>-</u>     | <u>12</u>    |

## 8. Interest payable and similar charges

|  | 2015<br>£000 | 2014<br>£000 |
|--|--------------|--------------|
| Bank interest payable                      | -            | 1,275        |
| Other loan interest payable                | 445          | 440          |
| Finance leases and hire purchase contracts | 20           | 48           |
|  | <u>465</u>   | <u>1,763</u> |

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 9. Taxation

|                                  | 2015<br>£000    | 2014<br>£000    |
|----------------------------------|-----------------|-----------------|
| <b>Corporation tax</b>           |                 |                 |
| Current tax on loss for the year | (12,333)        | (11,754)        |
| <b>Total current tax</b>         | <u>(12,333)</u> | <u>(11,754)</u> |

### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 -lower than) the standard rate of corporation tax in the UK of 20.25% (2014 -21.49%). The differences are explained below:

|   | 2015<br>£000    | 2014<br>£000    |
|---|-----------------|-----------------|
| (Loss) on ordinary activities before tax  | <u>(19,143)</u> | <u>(27,175)</u> |
| (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 -21.49%) | (3,876)         | (5,840)         |
| <b>Effects of:</b>  |                 |                 |
| Expenses not deductible for tax purposes  | 35              | (579)           |
| Capital allowances for year in excess of depreciation   | 8               | 404             |
| Research and development taxation in respect of prior periods   | (12,333)        | (11,754)        |
| Unrelieved tax losses carried forward   | 3,833           | 6,003           |
| Other differences leading to an increase (decrease) in the tax charge   | -               | 12              |
| <b>Total tax charge for the year</b>  | <u>(12,333)</u> | <u>(11,754)</u> |

### Factors that may affect future tax charges

The company has unprovided deferred tax assets of approximately £24.8m (2014: £29.7m) relating to trading losses that are available for carry forward against future trading profits. Given the uncertainty as to the company's ability to utilise these losses, the directors have not recognised any related deferred tax asset.



# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 10. Intangible assets

|                            | Software<br>£000 |
|----------------------------|------------------|
| <b>Cost</b>                |                  |
| At 1 January 2015          | 4,165            |
| Additions                  | 282              |
| <b>At 31 December 2015</b> | <b>4,447</b>     |
| <b>Amortisation</b>        |                  |
| At 1 January 2015          | 1,369            |
| Charge for the year        | 624              |
| <b>At 31 December 2015</b> | <b>1,993</b>     |
| <b>Net book value</b>      |                  |
| <b>At 31 December 2015</b> | <b>2,454</b>     |
| At 31 December 2014        | 2,796            |

## 11. Tangible fixed assets

|                             | Freehold<br>property<br>£000 | Plant and<br>machinery<br>£000 | Computer<br>equipment<br>£000 | Total<br>£000 |
|-----------------------------|------------------------------|--------------------------------|-------------------------------|---------------|
| <b>Cost or valuation</b>    |                              |                                |                               |               |
| At 1 January 2015           | 8,488                        | 18,777                         | 9,550                         | 36,815        |
| Additions                   | 80                           | 491                            | 330                           | 901           |
| <b>At 31 December 2015</b>  | <b>8,568</b>                 | <b>19,268</b>                  | <b>9,880</b>                  | <b>37,716</b> |
| <b>Depreciation</b>         |                              |                                |                               |               |
| At 1 January 2015           | 4,612                        | 14,632                         | 7,453                         | 26,697        |
| Charge owned for the period | 369                          | 866                            | 538                           | 1,773         |
| <b>At 31 December 2015</b>  | <b>4,981</b>                 | <b>15,498</b>                  | <b>7,991</b>                  | <b>28,470</b> |
| <b>Net book value</b>       |                              |                                |                               |               |
| <b>At 31 December 2015</b>  | <b>3,587</b>                 | <b>3,770</b>                   | <b>1,889</b>                  | <b>9,246</b>  |
| At 31 December 2014         | 3,877                        | 4,145                          | 2,097                         | 10,119        |

Included in freehold property is freehold land at the valuation of £2,062k (2014:£2,062k) which is not depreciated.

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 11. Tangible fixed assets (continued)

The net book value of land and buildings may be further analysed as follows:

|          | 2015<br>£000 | 2014<br>£000 |
|----------|--------------|--------------|
| Freehold | 3,588        | 3,876        |
|          | <u>3,588</u> | <u>3,876</u> |

## 12. Stocks

|                               | 2015<br>£000 | 2014<br>£000 |
|-------------------------------|--------------|--------------|
| Raw materials and consumables | 310          | 401          |
|                               | <u>310</u>   | <u>401</u>   |

## 13. Debtors

|                                | 2015<br>£000 | 2014<br>£000 |
|--------------------------------|--------------|--------------|
| <b>Due within one year</b>     |              |              |
| Trade debtors                  | 529          | 705          |
| Other debtors                  | 5,096        | 4,919        |
| Prepayments and accrued income | 1,173        | 2,072        |
|                                | <u>6,798</u> | <u>7,696</u> |

## 14. Cash and cash equivalents

|                          | 2015<br>£000 | 2014<br>£000 |
|--------------------------|--------------|--------------|
| Cash at bank and in hand | 867          | 36           |
| Less: bank overdrafts    | -            | (49)         |
|                          | <u>867</u>   | <u>(13)</u>  |

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 15. Creditors: Amounts falling due within one year

|   | 2015<br>£000  | 2014<br>£000  |
|---|---------------|---------------|
| Bank overdrafts   | -             | 49            |
| Other loans   | 472           | 3,912         |
| Trade creditors   | 15,915        | 16,476        |
| Taxation and social security                                | 1,374         | 1,116         |
| Obligations under finance lease and hire purchase contracts | 140           | 252           |
| Other creditors   | 11,907        | 14,244        |
| Accruals and deferred income                                | 17,674        | 8,721         |
|   | <u>47,482</u> | <u>44,770</u> |

### Secured loans

Other loans includes £nil (2014: £3,912,000) due to Edmond de Rothschild (Suisse) S.A., a company administered in Switzerland. This loan was unsecured, accrued interest at a rate of 6% per annum and was repayable in ten equal monthly installments beginning in February 2015.

Other loans includes £472,114 (2014: £nil) due to America Movil S.A.B. de C.V., a company administered in Mexico. This loan was unsecured, accrued interest at a rate of 15% per annum from 1 January 2016 and is repayable on 15 April 2016.

## 16. Creditors: Amounts falling due after more than one year

|  | 2015<br>£000 | 2014<br>£000 |
|--|--------------|--------------|
| Net obligations under finance leases and hire purchase contracts | 117          | 83           |
|  | <u>117</u>   | <u>83</u>    |

## 17. Hire purchase & finance leases

Minimum lease payments under hire purchase fall due as follows:

|                   | 2015<br>£000 | 2014<br>£000 |
|-------------------|--------------|--------------|
| Within one year   | 140          | 252          |
| Between 1-2 years | 117          | 83           |
|                   | <u>257</u>   | <u>335</u>   |

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 18. Financial instruments

|  | 2015<br>£000    | 2014<br>£000    |
|--|-----------------|-----------------|
| <b>Financial assets</b>                          |                 |                 |
| Financial assets measured at amortised cost      | 5,625           | 5,623           |
|  | <u>5,625</u>    | <u>5,623</u>    |
| <b>Financial liabilities</b>                     |                 |                 |
| Financial liabilities measured at amortised cost | (29,951)        | (35,664)        |
|  | <u>(29,951)</u> | <u>(35,664)</u> |

Financial assets measured at amortised cost comprise of trade and other receivables.

Financial Liabilities measured at amortised cost comprise of trade and other payables.

## 19. Reserves

### Other reserves

This reserve represents additional capital contributions introduced by the existing shareholders.

### Profit and loss account

Cumulative profit and loss net of distributions to owners.

## 20. Share capital

|   | 2015<br>£000  | 2014<br>£000  |
|---|---------------|---------------|
| <b>Allotted, called up and fully paid</b> |               |               |
| 80,010,000 Ordinary shares of £1 each     | <u>80,010</u> | <u>80,010</u> |

## 21. Pension commitments

The company contributed to defined contribution schemes for the benefit of some employees. The assets of the scheme are administered by trustees in funds independent from those of the company. Contributions paid during the year amounted to £1,554,501 (2014: £1,425,000). At 31 December 2015 £405,479 (2014: £246,768) remained unpaid and is included in other creditors.

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 22. Commitments under operating leases

At 31 December 2015 the company had commitments under non-cancellable operating leases as follows:

|  | 2015<br>£000 | 2014<br>£000 |
|--|--------------|--------------|
| Not later than 1 year                        | 2,191        | 2,191        |
| Later than 1 year and not later than 5 years | 2,191        | 4,382        |
| <b>Total</b>                                 | <b>4,382</b> | <b>6,573</b> |

## 23. Related party transactions

During the year, the company received sponsorship income of £2,354,942 (2014: £1,989,075) from United Breweries Limited. The company also charged £15,290 (2014: £nil) to United Breweries Limited in respect of other management services. At 31 December 2015 £1,288 (2014: £nil) was due to the company from United Breweries Limited.

During the year, the company received sponsorship income of £1,308,301 (2014: £2,575,200) from Watson Limited. The company also charged £nil (2014: £nil) to Watson Limited in respect of other management services. At 31 December 2015 £nil (2014: £nil) was due to the company from Watson Limited.

During the year, the company charged £4,775 (2014: £18,840) to Kingfisher Beer Europe Limited in respect of other management services. At 31 December 2015 £1,354 (2014: £nil) was due from the company to Kingfisher Beer Europe Limited.

During the year, the company charged £4,317 (2014: £nil) to United Breweries Holdings Limited in respect of other management services. At 31 December 2015 £nil (2014: £nil) was due to the company from United Breweries Holdings Limited.

During the year, the company charged £nil (2014: £nil) to United Spirits Limited in respect of other management services. At 31 December 2015 £908 (2014: £nil) was due from the company to United Spirits Limited.

During the year, the company charged £nil (2014: £nil) to Whyte and Mackay plc in respect of other management services. At 31 December 2015 £60,324 (2014: £60,323) was due to the company from Whyte and Mackay plc.

During the year, the company charged £nil (2014: £nil) to Blantyre Management Limited in respect of other management services. At 31 December 2015 £3,848 (2014: £nil) was due from the company to Blantyre Management Limited.

During the year remuneration of £1,987k (2014: £1,849k) was paid to key management personnel.

The companies listed above are related to Force India Formula One Team Limited by virtue of common directorships.

# Notes to the Financial Statements

**For the Year Ended 31 December 2015**

**24. Controlling party**

The immediate parent undertaking is Orange India Holdings Sarl, a company incorporated in Luxembourg.

No individual company has ultimate control of Orange India Holdings Sarl, and on that basis the directors consider the ultimate controlling party to be Orange India Holdings Sarl.

**25. First time adoption of FRS 102**

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.