WILLIAMS

ANNUAL REPORT 2018


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WILLIAMS GRAND PRIX HOLDINGS PLC

ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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ANNUAL REPORT

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GROUP OVERVIEW

Williams Grand Prix Holdings PLC ("the Company") is the ultimate holding company for Williams Grand Prix Engineering Limited ("WGPE") and Williams Advanced Engineering Limited ("WAE") as well as a small number of companies not significant to its operations (together "the Group"). The Company is listed on the Open Market of the Frankfurt Stock Exchange.

The Group comprises a Formula One racing team and an advanced engineering business. The Group is based in Oxfordshire on a dedicated site which is a hub for all the Group's research, design, manufacturing and commercial activity.

The Group's core competencies are the design, manufacture and entry of race cars for the Formula One World Championship and the provision of Formula One derived technologies through Williams Advanced Engineering.

Formed in 1977 by Sir Frank Williams and Sir Patrick Head, the Formula One racing team has secured nine FIA Formula One Constructors' Championship titles and seven Drivers' Championship titles since its foundation, making it the third most successful team in the sport's history.

WAE provides world class technical innovation, engineering, testing and manufacturing services to a diverse customer base in the automotive, aerospace, defence and energy sectors. It specialises in the commercial application of aerodynamics, advanced lightweight materials, hybrid power systems and electronics derived from the extremely competitive world of Formula One racing. The team has specialist experience in offering improved systems solutions, cutting edge aerodynamics, vehicle chassis dynamics and holistic integration capability, all within accelerated development timeframes. Working in close collaboration with its customers, WAE helps them improve their performance, market position and brand image whilst meeting the sustainability challenges of today.

CHAIRMAN'S STATEMENT

The Williams Group operates in dynamic, exciting industry sectors and it succeeds by addressing complex technological challenges in the context of a highly competitive environment. While it has been a very tough year on track, the Group has once again delivered a robust set of financial results.

The Formula One team's 2018 campaign delivered an unacceptable result as we finished in tenth place in what was, once again, a fiercely competitive Formula One Constructor's Championship. We clearly have areas of weakness to address and have spent time to identify, analyse and work on improving these areas, and will continue doing so as we move forward. We continue to develop our capabilities and our people, and we must ensure that we have the right resources and talent in place to allow us to improve in the future. Despite the challenges we face, we retain a racing spirit and a desire to fight our way back to a competitive place. This is not a simple task especially for an independent team and will require teamwork and dedication.

We are delighted to welcome ROKiT to the sport as our title partner for the 2019 season as part of a multi-year agreement. ROKiT is a new telecommunications brand challenging the status quo. There are some significant similarities in values and aspirations between the organisations, with a shared appreciation of the importance of focussing on innovation and engineering.

Formula One has been under the ownership of Liberty Media for two years now. During this time, they have looked to reinvigorate the sport and drive fan engagement and we had hoped to see changes by now that would enable teams to compete on a more equal footing. 2019 sees the evolution of the technical regulations which includes changes to the front and rear wings with the objective of allowing the cars to follow more closely which should encourage overtaking and ultimately, more exciting racing. As we move closer to 2021 we expect Liberty to firm up their plans for the financial, technical and sporting regulations for the post 2021 era.

Williams Advanced Engineering has continued to make progress, extending its exciting roster of customers and projects. Its achievements have been recognised in a Queen's Award for Enterprise in Innovation which recognised the success demonstrated in the commercial application of battery technology. It is fantastic to have this capability recognised with such a prestigious award.

In delivering a solid set of financial results, the Group continues to demonstrate that it is able to balance the challenges faced on the track with managing the business professionally to ensure it can compete in years to come. This is our continual challenge. Revenue and EBITDA have shown year on year improvements. This positions us well to continue in our efforts to develop Williams Advanced Engineering and to return the Formula One team to a competitive position.

NICK ROSE

CHAIRMAN

STRATEGIC REPORT

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

GROUP STRATEGY

We operate two different but interconnected business units with aligned objectives around delivering engineering excellence and pursuing innovation. The industries in which we operate advance at an incredible rate and we continually challenge ourselves to push forward. To make progress we need consistent execution across design, development, manufacture and delivery. We work hard to achieve stretching goals across the organisation.

Change never stops in our world, whether due to regulations, technology or environmental factors. And we never stop changing and pursuing ambitious goals. Our Williams Advanced Engineering business works with prestigious customers on cutting edge projects and our Formula One team competes at the pinnacle of motorsport. We seek to develop our organisation and our people to create an environment where new ideas can flourish.

In Formula One, the 2018 season has been our most challenging to date and we finished tenth with seven points in the Constructors' Championship. We have been locked in a fierce battle in the midfield in recent seasons and we took a risk by pursuing a new design agenda in our 2018 car. While this highlighted some interesting performance opportunities, it also created a car that exhibited challenging stability characteristics. We have learnt from this experience and have focussed on driveability and consistency for 2019. While this might not deliver an immediate step forward in performance, we believe it will create a stable platform for future development.

We are extremely proud of the progress that we have demonstrated in Williams Advanced Engineering. The expertise and ingenuity of our engineering-led proposition has attracted a number of new customers during the year in addition to securing repeat business. We continue to demonstrate that we can operate at the forefront of technological development with a focus on real world engineering challenges.

During 2018 we commenced a comprehensive review to understand how we can foster a performance culture in Williams that respects the values that make this such an exciting organisation. We have devoted significant management time to understanding where we need to improve in our execution, communications and resources. This has given us a valuable insight into how we implement meaningful change in our Group.

We continue to demonstrate our capability to deliver sound financial results with growth in revenue and EBITDA this year. We had enjoyed a long-term relationship with Martini as our title partner since 2014 and were aware that this partnership would not extend beyond 2018 for some time as their marketing priorities had evolved. We are thrilled to welcome ROKiT, an innovative technology brand, as our title partner for 2019 and beyond. We believe our ability to attract a new and exciting title partner demonstrates that Williams continues to be one of the great brands in Formula One and we will work hard with ROKiT and our other partners to achieve successful outcomes on and off the track.

FORMULA ONE

It was a tough year on track in 2018 and we failed to deliver acceptable performance. Competition in Formula One is intense and fine margins make the difference between a successful season and a disappointing one. Despite a lot of hard work both trackside and at our headquarters in Grove, we didn't deliver a car that could match our aspirations. This has highlighted a number of areas of weakness which we are addressing and will continue to tackle through 2019.

Our performance in 2018 called for a period of introspection and reflection. We have spent a lot of time looking at how we are structured and how we organise our activities and resources. We need to rebuild the team and return to competitiveness. Turning around the team is going to take hard work and determination and it is going to take time. Our focus in 2019 is to make progress on the journey ahead.

2018 marked the final year of a very successful partnership with Martini. We are proud of what we achieved through the partnership and our ability to consistently generate significant brand exposure on a global stage throughout the relationship. It is our ability to think creatively and build exciting propositions that positioned us strongly when the title sponsorship became available for the 2019 season. Our multi-year deal with ROKiT will help us showcase their innovative products and solutions to a global audience.

The model for Formula One teams continues to develop. In their second year of ownership of the sport, Liberty Media persist in their consideration of changes to the income distribution model and the implementation of cost caps. Although we are still waiting for any substantive proposals to how these important issues can be tackled, we remain hopeful that a solution can be found that will serve the sport and the participating teams well. Williams continues to operate as an independent team and constructor while a number of our competitor teams have formed close relationships and alliances. It remains unclear how these different regulatory developments might impact the character of the sport in the future.

Formula One continues to be an incredible, emotionally charged combination of sporting drama and engineering excellence played across a global stage in the spotlight of the world's media. We are privileged to be part of this and do not take our obligations to our supporters or our employees lightly. We will fight hard to address our weaknesses, to harness our strengths and to come together as a team that can demonstrate the racing spirit that has been central to our organisation from the day that Sir Frank Williams founded the team. We know that this won't be easy, we know that this won't be immediate, and we also know, that we will never give up.

WILLIAMS ADVANCED ENGINEERING

Since its inception in 2011, Williams Advanced Engineering has delivered creative technical solutions that exceed our customers expectations. In 2018 we had the significant honour of having this capability recognised by being awarded a Queen's Award for Enterprise Innovation. The award is further evidence of our ability to develop successful solutions in the field of electric propulsion.

We announced a strategic technical partnership with Lotus during the year which will see the companies share research and development into advance propulsion technologies. This underlines Williams Advanced Engineering's credentials in the high-performance automotive sector.

Aston Martin selected Williams Advanced Engineering to assist with the complex task of engineering an all-electric powertrain for their first-ever all-electric car, the Rapide E. This is a prestigious project that includes the development of an 800v battery which will deliver high performance both in terms of acceleration and charge time.

We have partnered with Unipart to create a joint venture, Hyperbat, which will manufacture the next generation of performance batteries for automotive applications. This partnership sees the expertise that Williams Advanced Engineering has developed in battery technology combined with Unipart's manufacturing proficiency. Hyperbat is at an early stage but offers great opportunities for growth in this area.

Our involvement with the Foresight Williams Technology EIS fund continues and has identified several interesting opportunities. Total funds invested to date come to £14.9m and this is helping to grow innovative small and medium sized UK businesses.

Headcount in Williams Advanced Engineering grew in 2018 and the increasing prominence of the organisation has been critical in attracting new talent. Building great teams that work on exciting projects is one of the reasons that this business goes from strength to strength.

MIKE O'DRISCOLL

GROUP CHIEF EXECUTIVE OFFICER

STRATEGIC REPORT

CHIEF FINANCIAL OFFICER'S REVIEW

OUR FINANCIAL PERFORMANCE

Success in business is all about making the right decisions. These can be strategic decisions during a race event or selecting the best technology to deliver an outstanding customer solution. One of the roles of finance is to facilitate effective business decision making throughout the organisation, including the prioritisation of where we utilise capital and resources. Financial performance in 2018 continues to be strong and has been supported, once again, by some non-recurring items. As we move into 2019, we will see a fall in commercial rights income due to our tenth-place finishing position in 2018. Given this disappointing outcome, it becomes even more critical to run the organisation as efficiently as possible as we seek to restore our competitiveness.

We are fortunate to have a strong balance sheet and significant assets. We own our entire operational site in Oxfordshire including our Formula One factory and our Williams Advanced Engineering office and production facility. A significant element of our income is derived from the delivery of customer projects and we manage our working capital position closely to align cash inflows and outflows in any given period.

Group EBITDA increased to £12.9m (2017: £10.8m) including the benefit from a non-recurring item in the Formula One segment. Cost of sales increased significantly to £71.1m (2017: £66.5m). Most of this is explained by growth in Williams Advanced Engineering and the remaining increase arose in Formula One where it was clear from the beginning of last season that there were some design issues with our 2018 car that we needed to understand and address. We commenced an improvement programme, and invested resources, during the year to understand where we need to make changes to the design and to test alternative configurations. Operating expenditure remained in line with the prior year at £109.9m (2017: £109.9m).

Operating free cash flow remained positive at £6.3m (2017: £19.4m). The comparative period included the receipt of £9.0m from the disposal of surplus land which explains the majority of the year-on-year movement.

There is a significant amount of financial complexity involved in participating in Formula One as an independent constructor and a widening disparity on the expenditure incurred by the various teams. We welcome moves towards cost controls in the sport which we believe will enhance sustainability and encourage closer competition. We also feel that changes to the way that income is distributed amongst the teams could have a beneficial impact on both ourselves, and the sport. During recent years, differing business models have emerged and evolved within the paddock involving close co-operating between teams on the production of certain parts. We watch these developments, and the evolving regulatory environment, with interest as we seek to make strategic business decisions to support a return to competitiveness whilst remaining true to our routes as an independent Formula One constructor.

Williams Advanced Engineering is a well-positioned business with a wealth of capability. It continues to demonstrate ingenuity in the delivery of innovative technical solutions which delight a diverse range of customers. We are seeing increases in the scope of customer contracts which proves our ability to link together engineering specialisms. Revenue has increased to £44.8m (2017: £39.5m) and at the same time as delivering this top line growth, the business has expanded its capability and recruited talent to support new customer contracts. EBITDA grew modestly to £5.1m (2017: £5.0m). 2019 will no doubt provide this business with further opportunities to grow and we aim to capitalise on these as they materialise.

INCOME

We generate income from three principal sources. Commercial rights income is a combination of fixed payments for our participation in Formula One events and a variable payment based on our finishing position in the previous season's Constructors' Championship. Partnership income comes from sponsorship and other branding activities. Project income is generated through delivering customer requirements including our Williams Advanced Engineering activities.

2018 was the final year of a five-year partnership with Martini following their decision to step away from Formula One as part of a strategic realignment of marketing activity across the Bacardi business. In 2019 we are welcoming ROKiT into the sport as the new title partners of ROKiT Williams Racing. ROKiT join us on a multi-year partnership. This is a clear demonstration of the strength of the Williams brand and the excellent platform that Formula One offers to promote brands to an international audience.

Whilst the scale and global reach of Formula One is a major factor in attracting and retaining sponsors the market for sports sponsorship can be challenging. Organisations have a multitude of opportunities to target their consumer base across a wide range of channels. We look to develop deep relationships, that go beyond brand activation, by identifying opportunities for technical collaboration which draw upon the talent we have across the organisation, including the specialists in Williams Advanced Engineering.

Commercial rights income received in 2018 reflected our fifth-place position in the Constructors' Championship which we achieved in the 2017 season. This income will be lower in 2019 as a result of our significant under performance in finishing tenth in the 2018 Formula One Constructor's Championship.

Revenue in Formula One increased to £130.7m (2017: £125.6m). This included one-off partnership income of approximately £8m which will not repeat in 2019.

Williams Advanced Engineering delivered increased revenue of £44.8m (2017: £39.5m) which represents another year of excellent growth of 13% increase year-on-year. There has been a shift in the mix of projects with a more even spread between automotive customers, motorsport projects and income from outside these two core areas. The increasingly diverse nature of the services that Williams Advanced Engineering provides positions it well to take advantage of future opportunities.

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

EXPENDITURE

The management of costs and the efficient deployment of resources is a consistently high priority within our organisation. Our Formula One team competes with other teams who have significantly higher budgets and access to funding meaning we must make tough choices on where to focus our resource. In Williams Advanced Engineering, is it crucial that customer projects are delivered on time, in full and profitably.

Making the right decisions about where to make investment requires an understanding of the business benefits. This incorporates financial and non-financial measures and also requires input from relevant experts across many different functions of the business. As we look to continually evolve our technical capability we continue to invest in infrastructure including Formula One related equipment for use at our headquarters and at the track, as well as assets that will improve our manufacturing capability and support customer projects for Williams Advanced Engineering.

We recognised early in the 2018 season that we needed to address some performance characteristics in our 2018 car. This triggered a detailed review of certain key components and we tested some alternative configurations throughout the season at different events. Some of these upgrades delivered enhanced performance and others were helpful in providing data to inform the design of the 2019 car. All of them cost time and money. An element of operating costs in Formula One are performance related and due to finishing in tenth place, we did not incur these costs, resulting in lower operating expenditure.

As Williams Advanced Engineering grows, there is an associated increase in costs. To support the growth in number and diversity of customer projects the headcount in this area has significantly increased year over year. This has allowed us to identify and address any gaps in our talent pool and consider the development of the next generation of senior engineers that can be deployed across the Group. As a result of these changes, there has been a greater increase in the cost base as compared to the growth in revenue.

BUSINESS MODEL AND SUSTAINABILITY

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

We make a significant investment in our employees through the provision of benefits and through training and career development. We carried out an employee engagement survey during the year and we are using the results of this to address areas of identified weakness. We run apprenticeship programmes and graduate schemes where we deliver structured learning and career paths. We are an inclusive organisation and we try to create an environment where everyone can succeed.

It is important for us to demonstrate our values in action. These values includes respect and integrity. We act in a professional and respectful way with our suppliers and we endeavour to ensure that everyone is paid on time.

We remain at the forefront of research and development. Through our participation in Formula One we have a great opportunity to test and analyse solutions to aerodynamic and vehicle dynamics challenges. While the utilisation of these solutions is in a specialist context, this technology filters out to broader applications. Williams Advanced Engineering continues to develop pioneering solutions involving high-performance electrical energy systems which will power the next generation of cleaner vehicles. This progress has been recognised in 2018 with the prestigious Queen's Award for Enterprise in Innovation for the commercial application of battery technology

CASH AND WORKING CAPITAL

In Formula One, we generally receive more cash in the first half of the year due to the timing of receipts of partnership income. This corresponds to the peak build period as we assemble the new season's car and build up a stock of spare parts. In Williams Advanced Engineering, the cash profile is governed by individual customer contracts and the timing of delivery. We try to create balanced cash profiles in significant contracts to allow us to balance receipts and payments.

FINANCING AND INVESTMENT

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

The Directors believe that the value of the freehold property is in excess of its current carrying amount.

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

IDENTIFICATION AND MANAGEMENT OF RISKS

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

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

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

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

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

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

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

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

The Group is exposed to translation and transaction exchange risk, liquidity risk, interest rate risk and credit risk. The Group adopts appropriate measures to mitigate these risks. Translation and transaction exchange risk can be mitigated through currency matching and derivative contracts. Liquidity risk is mitigated through management's close involvement in business decisions in order to ensure sufficient liquidity is maintained. Interest rate risk can be mitigated through the use of interest rate swap agreements. Credit risk is mitigated through assessing the credit quality of each commercial partner.

The Board is continuing to monitor the potential risks associated with the UK leaving the European Union ('Brexit'). Williams is a UK headquartered company and the vast majority of Group revenue is derived through the supply of services to both UK and international customers. Around 13% of Group purchases originate from suppliers who are based in the European Union. As a result, it is unlikely that there will be a material impact on the ability of Williams to continue to deliver its short-term objectives and operate its strategy.

Given that there still remains a level of uncertainty over the final outcome of Brexit, the Group has undertaken a number of risk assessments in key areas to understand the implications of different Brexit outcomes.

The Group is exposed to foreign exchange volatility which is managed through the use of forward foreign currency contracts. Such instruments may mitigate the impact of adverse exchange rate movements on the results of the Group but there is a risk that a strengthening or weakening of sterling will result in a change in the Group's reported results.

There could be supply chain disruption as UK ports are unable to cope with additional border checks. This could have an impact on the Group's ability to secure time-critical components or to make equipment available at certain European race events. The Group is monitoring key routes and considering alternative options to minimise delays as well as engaging with the various logistics partners who support this activity. Action taken may include building up a supply of spare parts and equipment in a European location to service the European Grands Prix that occur during the summer months.

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

These risks will continue to be monitored by the Group in 2019 and beyond.

RESULTS AND DIVIDENDS

The Group's earnings per share of 35.34 pence (2017: 145.67 pence) reflects the profit for the Group for the shares in issue, excluding those held by the Employee Benefit Trust. The Group does not propose to pay a dividend in respect of the Year Ended 31 December 2018 (2017: £nil).

The profit for the financial year attributable to the members of the parent company amount to £3.4 million (2017: £14.1million).

DOUG LAFFERTY
CHIEF FINANCIAL OFFICER

The Strategic Report, as set out on pages 9 to 14, has been approved by the Board

ON BEHALF OF THE BOARD

MARK BIDDLE
GENERAL COUNSEL AND
COMPANY SECRETARY
4 APRIL 2019

DIRECTORS' REPORT

DIRECTORS OF THE COMPANY

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

M. Biddle - Company Secretary and Director

B. Hollinger

D. Lafferty

P. Lowe

M. O'Driscoll

N. Rose

C. Williams

BOARD MEETINGS

The attendance of Directors at the eight board meetings during the year was as follows:

Director	Meetings attended	Meetings eligible to attend
M Biddle	8	8
B Hollinger	4	8
D Lafferty	8	8
P Lowe	8	8
M O'Driscoll	8	8
N Rose	8	8
C Williams	7	8

COMMITTEES

The Group has an Audit Committee and a Remuneration and Nomination Committee. Terms of reference for each committee have been published on the Group's website.

The members of the committees are as follows:

Audit Committee: Nick Rose (chairman) and Brad Hollinger.

Remuneration and Nomination Committee: Nick Rose (chairman) and Brad Hollinger.

The Report of the Audit Committee is presented on page 22. Three meetings of the Remuneration and Nomination Committee were held during the year.

PROVISION OF INFORMATION TO THE AUDITOR

The Directors confirm that, in so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

INSURANCE

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

SHARE-BASED PAYMENT

The WGP Trust is an employee benefit trust which acquired 350,000 shares in the Company on 7 February 2011 from the then shareholders. The Trustee of the WGP Trust is WGP Trustees Limited, a wholly-owned subsidiary of the Company.

Between 2015 and 2017 a number of share awards were allocated to certain employees. Details of the awards granted and outstanding at the end of 2018 are given in note 8 to the financial statements.

DIRECTORS' INTERESTS AND DEALINGS

Directors' beneficial interests in the ordinary share capital of the Company as at 31 December 2018 are shown below:

Shares in which beneficial interest held		
Director	31 December 2018	31 December 2017
M Biddle	-	-
B Hollinger	1,784,963	2,073,630
D Lafferty	-	-
P Lowe	-	-
M O'Driscoll	26,500	-
N Rose	4,208	4,208
C Williams	-	-

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report, the Strategic Report, the Directors' Report and the Group and the Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law the Directors have elected to prepare the Group and the Company financial statements in accordance with UK accounting standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions, disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

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

POLITICAL CONTRIBUTIONS

The Group made no political contributions in the year (2017: £nil).

DISABLED EMPLOYEES

It is the Group's policy to offer equal opportunities to all persons, including disabled persons, applying for vacancies having regard to their aptitudes and abilities in relation to the jobs for which they apply.

EMPLOYEE INVOLVEMENT

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

Information on matters of concern to employees is given through a staff forum, an intranet site, team briefings and internal publications which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

AUDITOR

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD

MIKE O'DRISCOLL
DIRECTOR
4 APRIL 2019

GOVERNANCE REVIEW

BOARD OF DIRECTORS

The Board of Directors of the Company is responsible for managing the business and has both supervisory and executive functions, including formulating, reviewing and approving the Group's strategy, budgets and corporate actions.

NICK ROSE

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Nick Rose was educated at Oxford University, from where he has a Masters in Chemistry. He started his career with Ford Motor Company. In 1992, Nick joined Grand Metropolitan PLC as Group Treasurer before promotion to Group Controller and Chief Finance Officer of the drinks division. Nick played a key part in the merger with Guinness to create Diageo PLC and the company's subsequent manoeuvre into a focussed drinks business. In 1999, Nick was appointed CFO of Diageo. Nick retired from Diageo at the end of December 2010. Nick today serves on the Board of BAE Systems PLC and BT Group PLC, where he is Senior Independent Director at both companies and chairs the respective Audit Committees, and is non-executive Chairman of Galore SPV1 Limited, a company that owns the Loch Lomond Scotch whisky business. Nick is also Founding Patron of SITraN (Sheffield Institute for Translational Neuroscience), involved in raising funds to build a leading research institute to find a cure for Motor Neurone disease. Nick was appointed to the Board in November 2011 and is Chairman of the Board, Chairman of the Audit Committee and Chairman of the Remuneration and Nomination Committee.

BRAD HOLLINGER

NON-EXECUTIVE DIRECTOR

Brad Hollinger was appointed as a Non-Executive Director of Williams Grand Prix Holdings PLC in April 2016, and has been a shareholder in the Company since 2014. Brad is Chairman and Chief Executive Officer of Vibra Healthcare, an American specialty acute care hospital company based in Pennsylvania with over 10,000 employees, 92 hospitals and transitional care centres within the United States, and annual revenues of over $1 billion. In this role Brad is responsible for the strategic direction, operational execution and profitability of Vibra Healthcare. Prior to founding Vibra Healthcare, he co-founded and served as Chairman and CEO of Balanced Care Corporation, a publicly traded senior care company that grew to 87 facilities in 11 US states. In addition, Brad served as chief development officer and executive vice president of the contract services group of Continental Medical Systems, a NYSE $1.5 billion dollar company. Brad has also recently been appointed as Chairman and CEO of Kodiak Systems, a cloud service company specialising in healthcare.

MARK BIDDLE

GENERAL COUNSEL AND COMPANY SECRETARY

After graduating from Cambridge University with a Masters in Law, Mark Biddle spent seven years working at Slaughter and May in London and then in Hong Kong, before taking a legal advisory role with Deutsche Bank. Eight years later in 2004 Mark became General Counsel of RAC PLC, remaining in this role for a year, until Aviva completed a successful takeover of the RAC. Following a nine-month contract as Senior Corporate Lawyer with Aviva, Mark spent several years as General Counsel to marketing company, Aegis Group PLC. Mark then took on the role of General Counsel for the Williams Group at the start of 2009. In addition to his directorship of the Company, Mark is Company Secretary of the Company and of each of the other Williams Group companies.

DOUG LAFFERTY

CHIEF FINANCIAL OFFICER

Doug graduated from Royal Holloway, University of London with a BSc in Management Studies prior to starting his career as a Graduate Trainee at British American Tobacco (BAT) in 2001. He qualified as a Chartered Management Accountant in 2003 before holding a variety of Finance Director and General Management positions whilst on international assignments with BAT to Greece, Romania, Serbia and Canada. After returning to the UK in 2013 Doug became the first Finance Director of BAT's Next Generation Products business and in 2015 became Group Head of Commercial Finance, working closely with the group's Marketing and Operations leadership teams. Doug's final role at BAT was as Regional Head of Finance for the Americas before being appointed to the Board of Williams, in the capacity of CFO, in September 2017.

PADDY LOWE

CHIEF TECHNICAL OFFICER

Paddy was born in Nairobi, Kenya to Irish parents and grew up in East Africa and the UK. As a child the East African Safari Rally used to go past his house, generating his first interest in motorsport. After graduating from the University of Cambridge in 1984 with a degree in Engineering, followed by a year sailing across the Atlantic, Paddy started work for the company which had sponsored him through university: the Metal Box Company based in Grove just around the corner from where Williams are located today. In 1987 he joined Williams as a Control Systems Engineer, based at that time in Didcot. He spent six years with Williams, during which time he oversaw the development of the active suspension used on the iconic FW14B and the FW15C, which led Nigel Mansell and Alain Prost to their World Championship successes in 1992 and 1993. After 24 years away Paddy returned to Williams in 2017 as Chief Technical Officer and was appointed to the board in March 2017.

MIKE O'DRISCOLL

GROUP CHIEF EXECUTIVE OFFICER

Mike O'Driscoll started his career in the UK with Jaguar Rover Triumph as a business student. He obtained an MBA from the University of Warwick, and held various positions in Finance, Product Development and Marketing, prior to his move to the USA with Jaguar Cars in 1987, as a marketing and sales executive. Starting in 1995, Mike held a number of senior management positions with Jaguar's parent, Ford Motor Company, prior to his appointment as President of Jaguar Cars North America in 2000. The following year he became President of Aston Martin, Jaguar Land Rover's North American subsidiary. In 2007 he was appointed Managing Director of Jaguar Cars global operations, until he retired in March 2011. Mike was appointed to the Board in September 2011 as a Non-Executive Director and to his current role as Group Chief Executive Officer in May 2013.

CLAIRE WILLIAMS

DEPUTY TEAM PRINCIPAL

After graduating from Newcastle University with a degree in Politics, Claire Williams joined Silverstone Circuit as a press officer. Claire joined Williams in 2002 and was promoted to Head of Communications in 2010, responsible for all internal and external communications. This role was extended to include Head of Investor Relations following the Company's admission to the Open Market (Entry Standard Segment) of the Frankfurt Stock Exchange in March 2011. Claire was appointed to the Board as Commercial Director in April 2012 and extended her role to Deputy Team Principal in March 2013. In June 2016, it was announced that Claire was appointed an Officer of the Order of the British Empire (OBE) in the Queen's Birthday Honours List in recognition of her services to Formula One.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Good corporate governance is essential to the Group. It provides the basis for sustainable long-term business activity.

We are committed to maintaining a high standard of corporate governance that reflects both appropriate principles of best practice that are set out in the UK Corporate Governance Code (the "Code") and the internal governance framework under which we operate and manage the Company, its subsidiaries and all of its business operations for the long-term benefit of all shareholders.

The Company will continue to meet the principles of best practice set out in the Code where it is felt to be in the commercial interests of both the Company and its shareholders. As set out below, this means that the Board will continue to share via this Annual Report information regarding the Board itself and the Committees which it operates. The Board considers that this Annual Report is fair, balanced and understandable.

LEADERSHIP

The Board is collectively responsible to shareholders for the creation and delivery of strong, sustainable performance and the creation of long-term shareholder value. However, there are separate roles for each member of the Board and we have agreed a clear division of responsibilities between the Chairman and Group Chief Executive which are set out in writing and which have been agreed by the Board.

The Chairman manages the Board and optimises the value of Board meetings by ensuring timely and relevant information is provided in advance. During Board meetings the Chairman encourages all Directors to contribute and challenge.

Matters considered by the Board during the year included strategy, budgets, financial results, risk and risk management, succession planning, governance and organisational capabilities.

Board meetings are supplemented by regular meetings of an Executive Committee comprising the executive Directors and key senior managers. The Executive Committee is principally responsible for day-to-day operational matters.

EFFECTIVENESS

The members of the Board bring a variety of skills and experiences. The Board's Non-Executive Directors bring an external perspective in their analysis of the Group's performance, and help challenge assumptions and identify possible threats. Each of the Non-Executive Directors continue to have other significant commitments, all of which were disclosed to the Board prior to the Non-Executive Directors' appointments to the Board.

The Board is supplied with appropriate information and support to enable it to discharge its duties properly. A clear annual board schedule and timely and relevant board packs give Directors time to prepare for meetings. All Directors have recourse to the Group Company Secretary and independent professional advice at the Group's expense.

The effectiveness of the Board is enhanced through delegation of certain matters to the Remuneration and Nomination Committee and to the Audit Committee. The Audit Committee report is presented below. During the year the Remuneration and Nomination Committee met three times and considered matters including succession planning and the remuneration of Directors and senior management.

Although the Board has no specific diversity policy the Board is aware of the benefits in having a diverse composition of the Board. The Company currently has one female Director on the Board.

Both the Audit Committee and the Remuneration and Nomination Committee have only two members, each of whom are non-executive. The Board believes that these committees continue to perform effectively due to the exceptional experience of the Non-Executive Directors.

Directors are subject to re-election every three years.

ACCOUNTABILITY

The Board presents the Group's results in this report. The financial statements, supported by the Strategic Report and Directors' Report, give a fair, balanced and understandable picture of the Group.

During the year the Board and Audit Committee considered the significant risks faced by the Group and continued to monitor the Group's internal controls. Board members are provided with comprehensive financial and other information given ahead of each board meeting. Additional information and explanation of the data is provided on request.

There is an Audit Committee and its report is presented below. The Audit Committee comprises two Non-Executive Directors. Although he is Chairman of the Board, Nick Rose also chairs the Audit Committee. The Board considers that Nick's experience as a former CFO of Diageo and as current chairman of the audit committees of BAE Systems PLC and BT Group PLC, makes him the appropriate Non-Executive Director to do so.

A Code of Ethics is published on the Group's intranet and website.

REMUNERATION

The Code requires that remuneration should be set at a level that is sufficient to attract, retain and motivate the Directors. The Group is confident that it pays suitable remuneration to its Directors.

Director salaries are subject to periodic review by the Remuneration and Nomination Committee and were last reviewed in February 2018.

Where salaries were reviewed, the factors taken into account included:

- the performance of the Director;
- the Director's role in delivering business results;
- the Director's position in terms of career development, potential and lifecycle;
- any other elements of remuneration received by the Director; and
- the forecast business environment.

Each Director (other than the Non-Executive Directors) with a seat on the board in 2015 was granted share options during 2015 and an equity-linked bonus award during 2016. Paddy Lowe and Doug Lafferty were each granted share options on their appointment to the board in 2017. Doug Lafferty was also granted an equity-linked bonus award. The share options and the equity-linked bonus awards each have a vesting period of three years. Each Executive Director is also eligible to receive an annual bonus which is calculated by reference to performance criteria set out each year by the Remuneration and Nomination Committee. These criteria are stretching and designed to promote the long term success of the Group. The maximum bonus payable shall not exceed 200% of base salary.

Levels of remuneration for the Company's Non-Executive Directors reflect the time commitment and responsibilities of their respective roles.

RELATIONS WITH SHAREHOLDERS

As a Group we communicate with our shareholders clearly through our financial reports and our website. We advertise the date and location of our Annual General Meeting and, in addition, Directors make themselves available to talk to major shareholders from time to time.

We ensure that Directors are informed of any significant matters impacting on our shareholders, and provide the opportunity for the Directors to comment, both at and outside Board meetings.

AUDIT COMMITTEE REPORT

The Audit Committee comprises two Non-Executive Directors, Brad Hollinger and Nick Rose. Nick Rose is the Chairman of the Committee. The Committee held three meetings during the year. In addition to this, the Chairman has a number of meetings and discussions with the external auditors throughout the year.

During the year the Committee:

- reviewed and recommended that the Board approve the year end and interim accounts;
- recommended the re-appointment of KPMG LLP as the Group's auditors;
- monitored the services provided by the Group's professional advisors to ensure that an appropriate split was maintained between the provision of audit and advisory services; and
- considered matters of internal control and corporate governance.

At present the Group does not have an internal audit function. The Directors consider that the nature of the Group's activities, its size and the active involvement of executive management mean that such a function is not required. However, the Audit Committee regularly reviews whether such a function would be appropriate.

The Committee's Terms of Reference are published on the Group's website.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WILLIAMS GRAND PRIX HOLDINGS PLC

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Williams Grand Prix Holdings PLC ("the Company") for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity and the related notes, including the accounting policies in note 1.

IN OUR OPINION:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

OVERVIEW		
Materiality: Group financial statements as a whole		£1.8m (2017: £1.3m)
Coverage		100% (2017: 100%) of Group revenue
Key audit matters		**vs 2017**
Recurring risks	Going Concern	◀▶
	Revenue Recognition (Advanced Engineering)	◀▶
	Revenue Recognition (F1)	◀▶
Event driven	**New:** Brexit	▲

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

DESCRIPTION	THE RISK	OUR RESPONSE
Brexit Refer to page 14	**Unprecedented levels of uncertainty** Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Directors, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.	*Our procedures included:* **Our Brexit knowledge** We considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks; **Sensitivity analysis** When addressing going concern and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty; **Assessing transparency** As well as assessing individual disclosures as part of our procedures on going concern, we considered all of the Brexit related disclosures together, including those in the Strategic Report, comparing the overall picture against our understanding of the risks.

DESCRIPTION	THE RISK	OUR RESPONSE
Going concern (Group and Parent Company) Refer to page 36	**Accounting treatment** Due to the nature of the industry in which the business operates, the timing of cash inflows and cash outflows can be difficult to predict both in terms of timing and amount. The business is heavily dependent on sponsorship income and Formula 1 prize money, There is limited headroom on available debt financing at certain points in the Group's forecast period and cash flows are typically generated season to season so can be difficult to forecast. The future of the business depends on the continued sponsorship, prize money and commercialisation of technology.	*Our procedures included:* **Key dependency assessment** Comparing the key assumptions used in the cash flow. The key assumptions are those relating to future expenditure and income. We compared each assumption to historical data (where applicable), any known future costs (for example driver remuneration) or income (for example sponsorship income) and reviewed the reasonableness of any other significant assumptions made; **Funding assessment** Review of the funding available to the Group to assess the available cash to the business. This includes discussions with the Group's lenders and review of borrowing agreements in order to verify repayment dates and any restrictions on availability; **Sensitivity analysis** Performing breakeven analysis on the key assumptions noted above; **Historical comparisons** Comparing previous forecast revenue growth and EBITDA margins to actual performance to assess the historical accuracy of the Group's forecasting; **Evaluating Directors' intent** Discussions with Directors and key management personnel to review the key assumptions made in the cash flow forecasts and their future intentions for the business together with any available mitigating actions; **Assessing transparency** We considered whether the Group's disclosures about their assessment of forecast cash flows reflect the risks inherent in the assessment of the Going Concern basis of preparation.
Revenue Recognition (Advanced Engineering) (£44.8m; 2017: £39.5m) Refer to page 37	**Subjective estimate** Williams Advanced Engineering revenue includes contracts spanning multiple time periods. There is the risk that cut-off could be inappropriately applied. Furthermore, some of the contracts under which Williams operates are relatively complex and as such there is the risk that accounting recognition for specific contract terms could be inappropriately applied in order to manipulate results or through estimation error.	*Our procedures included:* **Control operations** Testing the operation of management's controls around the review of revenue recognition files and costs analysis; **Historical comparisons** Comparing previous forecast revenue trends and gross margins to actual performance to assess the historical accuracy of the Group's estimations; **Personnel interviews** Interviews with project managers to assess the status of projects and key assumptions made. Review of supporting documentation to support their conclusions on revenue recognition; **Project review** For a sample of projects, review underlying contracts, invoices, goods or services delivered and payments received to assess the percentage of completion against management's assessment.

DESCRIPTION	THE RISK	OUR RESPONSE
Revenue Recognition (F1) (£130.7m; 2017: £125.6m) Refer to page 37	**Accounting treatment** Williams Grand Prix Engineering enters into a range of contractual arrangements with sponsors and also undertakes other one off projects from time to time. Some of the contracts in place can be relatively complex and as such there is the risk that accounting recognition for specific contract terms could be inappropriately applied in order to manipulate results.	*Our procedures included:* **Accounting analysis** Review of all contracts Williams Grand Prix Engineering entered into in the year to review key terms and assess accounting treatment; **Testing application** Assessment of all contracts reviewed above against the financial statements to confirm treatment has been appropriately posted to the financial statement captions.

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

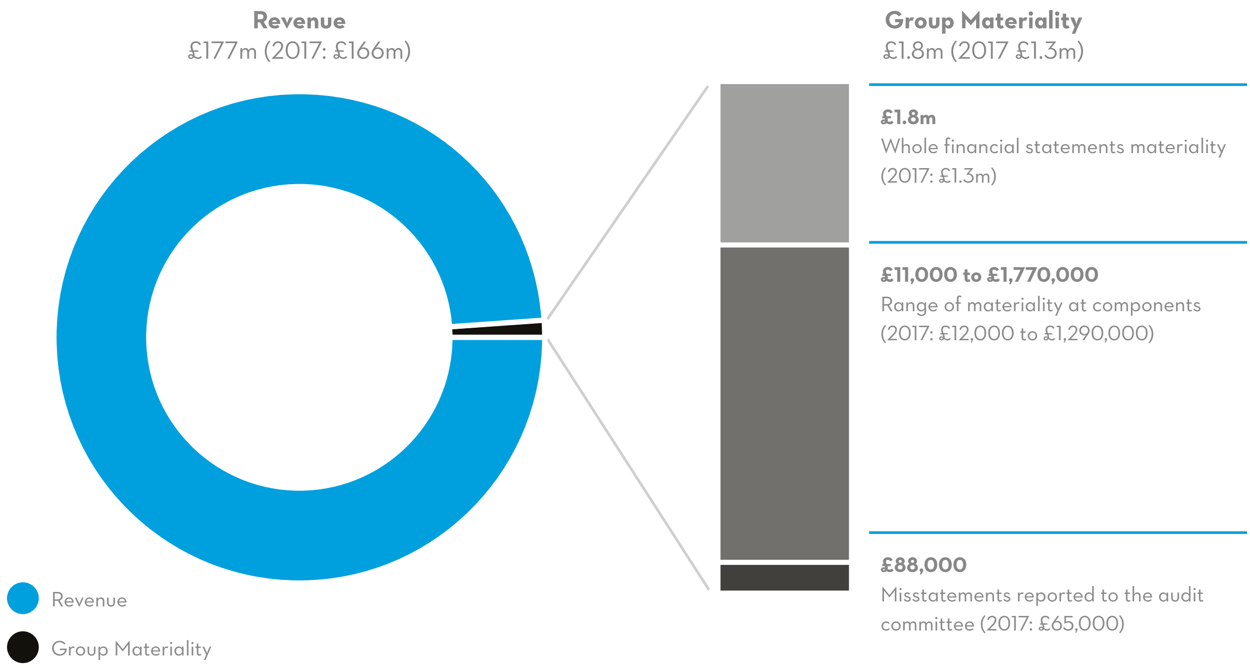
Materiality for the Group as a whole was set at £1.8m, determined with reference to a benchmark of revenue as disclosed in note 2, of which it represents 1% (2017: 0.8%). We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than Group profit before tax.

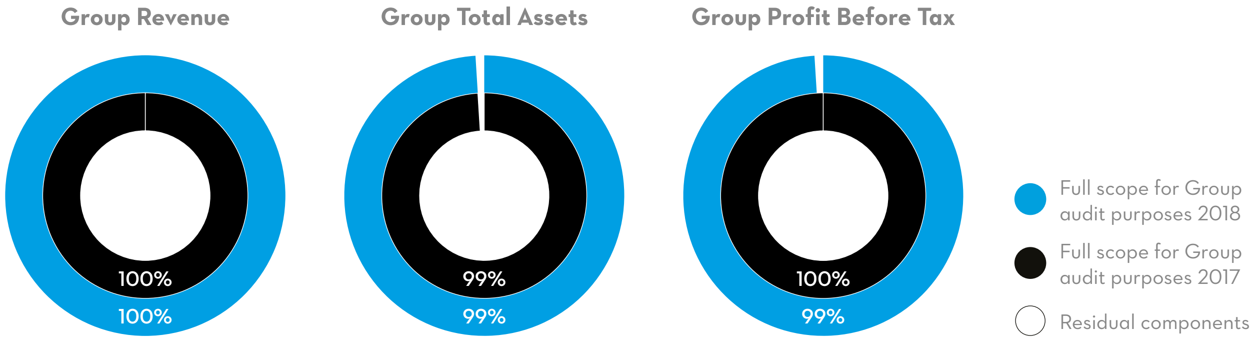
Materiality for the parent financial statements as a whole was set at £188,000 (2017: £150,000), determined with reference to a benchmark of the Company's net assets, of which it represents 5% (2017: 5%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £88,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 8 (2017: 8) components, we subjected 4 (2017: 4) to full scope audits for Group purposes.

The components within the scope of our work account for the percentages illustrated below.





4. WE HAVE NOTHING TO REPORT ON GOING CONCERN

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- Risk of securing further sponsorship from existing or new sponsors;
- Delays in receiving contracted income, specifically receipt of the R&D tax credit;
- Renewal of the Group's overdraft facility in June 2019;
- Ability to monitor costs and spending within the Group in order to mitigate working capital fluctuations.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a reduction of available financial resources.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects.

5. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept 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.

We have nothing to report in these respects

7. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 17, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and, 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 they 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

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

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

8. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

JAMES LEDWARD

SENIOR STATUTORY AUDITOR

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Arlington Business Park
Theale
RG7 4SD

4 APRIL 2019

FINANCIAL STATEMENTS

- Consolidated Statement of Comprehensive Income
- Consolidated Statement of Financial Position
- Consolidated Statement of Changes in Equity
- Consolidated Statement of Cash Flows
- Company Statement of Financial Position
- Company Statement of Changes in Equity
- Notes to the Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		£000	£000
Revenue	2	176,483	166,232
Cost of sales		(71,125)	(66,468)
Gross profit		105,358	99,764
Other operating expenses		(109,891)	(109,938)
Other operating income	2	8,692	17,741
Group operating profit	3	4,159	7,567
Exceptional profit on sale of land	4	-	7,328
Interest payable and similar expenses	9	(742)	(838)
Profit before taxation	2	3,417	14,057
Tax on profit	10	-	-
Profit after taxation		3,417	14,057
Total comprehensive income for the year		3,417	14,057
Earnings per share			
Basic earnings per share (pence)	11	35.34	145.67
Diluted earnings per share (pence)	11	33.97	141.75

Results for the Year Ended 31 December 2018 are derived entirely from continuing operations.

The notes on pages 36 to 52 form an integral part of these financial statements.

WILLIAMS GRAND PRIX HOLDINGS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

(REGISTRATION NUMBER: 07475805)

	Note	2018	2017
		£000	£000
Non-current assets			
Intangible assets	13	**2,395**	1,767
Heritage assets	14	**19,958**	21,683
Tangible assets	15	**39,354**	41,861
		61,707	65,311
Current assets			
Stocks	17	**3,129**	1,477
Debtors	18	**57,759**	53,429
Cash at bank and in hand		**9,477**	4,486
		70,365	59,392
Creditors: amounts falling due within one year	19	**(72,209)**	(66,715)
Net current liabilities		**(1,844)**	(7,323)
Total assets less current liabilities		**59,863**	57,988
Creditors: amounts falling due after more than one year	20	**(8,824)**	(11,394)
Net assets	2	**51,039**	46,594
Capital and reserves			
Called up share capital	26	**500**	500
Revaluation reserve		**19,108**	21,033
Other reserves		**2,863**	2,127
Retained earnings		**28,568**	22,934
Total equity		**51,039**	46,594

Approved and authorised by the Board on 4 April 2019 and signed on its behalf by:

D LAFFERTY
DIRECTOR

The notes on pages 36 to 52 form an integral part of these financial statements.

WILLIAMS GRAND PRIX HOLDINGS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2018

	Called up share capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
	£000	£000	£000	£000	£000
Balance as at 1 January 2017	500	21,258	1,057	8,652	31,467
Total comprehensive income for the year	-	-	-	14,057	14,057
Share-based payment transactions	-	-	1,070	-	1,070
Realisation of profit on revalued assets	-	(225)	-	225	-
Balance as at 31 December 2017	500	21,033	2,127	22,934	46,594
Balance as at 1 January 2018	**500**	**21,033**	**2,127**	**22,934**	**46,594**
Total comprehensive income for the year	-	-	-	**3,417**	**3,417**
Share-based payment transactions	-	-	**736**	**292**	**1,028**
Realisation of profit on revalued assets	-	**(1,925)**	-	**1,925**	-
Balance as at 31 December 2018	**500**	**19,108**	**2,863**	**28,568**	**51,039**

The notes on pages 36 to 52 form an integral part of these financial statements.

WILLIAMS GRAND PRIX HOLDINGS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		£000	£000
Net cash inflow from operating activities	27	**7,482**	16,105
Investing activities			
Payments to acquire fixed assets		**(5,197)**	(5,675)
Receipts from the sale of fixed assets		**4,031**	8,990
Net cash flow from investing activities		**(1,166)**	3,315
Financing activities			
Interest paid		**(742)**	(838)
Value of new loans obtained during the period		**15,000**	18,000
Repayment of loans and borrowings		**(15,277)**	(29,787)
Repayment of capital element of finance leases and HP contracts		**(306)**	(348)
Net cash flow from financing activities		**(1,325)**	(12,973)
Increase in cash and cash equivalents		**4,991**	6,447
Cash and cash equivalents at 1 January		**4,486**	(1,961)
Cash and cash equivalents at 31 December		**9,477**	4,486
Cash and cash equivalents consists of:			
Cash at bank and in hand		**9,477**	4,486
Cash and cash equivalents		**9,477**	4,486

The notes on pages 36 to 52 form an integral part of these financial statements.

WILLIAMS GRAND PRIX HOLDINGS PLC

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

(REGISTRATION NUMBER: 07475805)

	Note	2018	2017
		£000	£000
Fixed assets			
Investments	16	**3,763**	3,027
Net assets		**3,763**	3,027
Capital and reserves			
Called-up share capital	26	**500**	500
Other reserves		**3,263**	2,527
Retained earnings		**-**	-
Total equity		**3,763**	3,027

Approved and authorised by the Board on 4 April 2019 and signed on its behalf by:

D LAFFERTY

DIRECTOR

WILLIAMS GRAND PRIX HOLDINGS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2018

	Called up share capital	Other reserves	Retained earnings	Total equity
	£000	£000	£000	£000
Balance as at 1 January 2017	500	1,457	-	1,957
Total comprehensive income for the year	-	-	-	-
Share-based payment transactions	-	1,070	-	1,070
Balance as at 31 December 2017	500	2,527	-	3,027
Balance as at 1 January 2018	**500**	**2,527**	**-**	**3,027**
Total comprehensive income for the year	**-**	**-**	**-**	**-**
Share-based payment transactions	**-**	**736**	**-**	**736**
Balance as at 31 December 2018	**500**	**3,263**	**-**	**3,763**

The notes on pages 36 to 52 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

BASIS OF CONSOLIDATION

As a consolidated statement of comprehensive income is published, a separate profit and loss account for the parent is omitted from the Group consolidated financial statements by virtue of section 408 of the Companies Act 2006. The Company had no cash flows in the period, and therefore a separate statement of cash flows for the parent has also been omitted.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

GOING CONCERN

The Directors believe that the Group retains its position as a leader in high performance engineering. The Group's global profile, together with its ability to innovate and diversify, provide it with firm foundations for ongoing success, even in an adverse economic climate.

The Group's profit for the year was £3.4 million (2017: £14.1 million). As at 31 December 2018 the Group had net assets of £51.0 million (2017: £46.6 million) and net current liabilities of £1.8 million (2017: £7.3 million).

The Group's revenue from its Formula One activities is derived from sponsorship and commercial rights income. This means that in common with all other Formula One racing teams, the timing and amount of significant elements of the Group's cash flows can be variable and difficult to predict accurately. This unpredictability increases the longer the time period considered. Historically, sponsorship contract activity was complete before the start of the race season, however the increasing profile of both Williams and Formula One in general means that there remains scope for further sponsorship contracts to be agreed throughout the year.

Revenue is also earned through the Group's Williams Advanced Engineering ("WAE") activities which represents the Group's commercial exploitation of its brand and intellectual property. WAE seeks to build on the existing customer base by securing additional contracts for goods and consultancy services with blue chip partners and is making positive progress in this regard.

The Group has prepared and the Board has reviewed cash flow forecasts for a period of twelve months from the date of approval of these financial statements and also considered whether significant matters are expected to arise thereafter. The Directors have reviewed the Group's plans to meet obligations as they fall due and are satisfied at the current time that these plans are appropriate and adequate.

These cash flows have been prepared on a prudent basis, however do assume the business will continue to be able to replace any sponsorship deals that are up for renewal in the next twelve months and that certain cash flows, such as the receipt of the R&D tax credit from the local tax authorities, will occur by November 2019. Cash flows have been sensitised to take into account sponsorship deals not being replaced or not replaced at the same level owing to their unpredictability. The Group has considerable other assets, including currently unused land, which could be sold or used as security for other fundraising should these cash flow needs arise. The Directors believe that the timing of any such sale or securitisation could be managed in accordance with the fundraising requirement. There are also material heritage assets and additional land not currently being readied for sale.

Based on the above analysis, the Directors believe that the Group's borrowing facilities with HSBC Bank PLC and anticipated future cash inflows from operations will provide adequate funding for the next twelve months, that the Group will remain in compliance with the covenant conditions in relation to the Group's borrowings and that the Group will be able to meet its scheduled repayment of borrowings due during the assessment period as detailed in notes 21 and 22. The Directors are also satisfied that specific actions can be taken if required, including but not limited to the sale of land already earmarked for disposal with anticipated completion during 2020 and a small number of heritage vehicles. These assets could be sold over a short term period, if required, in order to meet any immediate working capital needs. There is also the potential for the renegotiation of the Group's borrowings, which are currently due for partial repayment in June 2019 in order to ensure that the Group's obligations are met as they fall due.

The Group is well placed to manage business risk effectively and the Board reviews the Group's performance against budgets and forecasts on a regular basis and is satisfied that the Group is performing in line with expectations.

The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in the preparation of accounts.

JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

REVENUE RECOGNITION FOR WILLIAMS ADVANCED ENGINEERING CONTRACTS

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

HERITAGE ASSETS

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

TAXATION

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

SIGNIFICANT ACCOUNTING POLICIES

REVENUE

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

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

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

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

GOVERNMENT GRANTS

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

RESEARCH AND DEVELOPMENT

The Group is heavily committed to research and development activities so as to maintain its position as a world leader in motor sport and advanced engineering. All expenditure on research and development is expensed as incurred.

The Group claims Research and Development Expenditure Credits ("RDEC") in respect of its research and development expenditure. The Group recognises the value of the RDEC net of tax as other income in the year in which the underlying research and development expenditure was incurred. The net RDEC receivable is recognised within other debtors.

INVESTMENTS

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

JOINT OPERATIONS, JOINT VENTURES AND ASSOCIATES

The accounting treatment for joint operations, joint ventures and associates requires an assessment to determine the degree of control or influence that the Group may exercise over them and the form of that control. The Group's interest in joint arrangements is classified as either: a joint operation, whereby the joint controlling parties have rights to the assets and obligations for the liabilities, relating to the arrangement; or a joint venture, whereby the joint controlling parties have rights to the net assets of the arrangement. Associates are those entities over which the Group is in a position to exercise significant influence, but not control or joint control.

The results, assets and liabilities of joint ventures and associates are accounted for using the equity method. Investments in joint ventures and associates are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture or associate, less any impairment. Losses of a joint venture or associate in excess of the Group's interest in that entity are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the entity.

HERITAGE ASSETS

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

PROPERTY, PLANT AND EQUIPMENT

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

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

INTANGIBLE ASSETS

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

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

STOCK AND WORK IN PROGRESS

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

LEASING AND HIRE PURCHASE COMMITMENTS

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

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

EQUITY-BASED COMPENSATION

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

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

The Company has no employees and thus there is no charge in its income statement for share-based payments. The charge for share-based payments has been recognised as an increase in cost of investment in subsidiaries.

DERIVATIVE FINANCIAL INSTRUMENTS

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

TRADE PAYABLES AND RECEIVABLES

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

BANK BORROWINGS AND OVERDRAFTS

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

FOREIGN CURRENCY

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange prevailing at the transaction date. All profits and losses on exchange are recognised within the statement of comprehensive income.

PENSIONS

The Group operates a defined contribution pension scheme. The pension costs charged in the financial statements represent the contributions payable by the Group during the period. The Group does not operate any defined benefit retirement arrangements.

TREASURY SHARES

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

2. SEGMENTAL ANALYSIS

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

YEAR ENDED 31 DECEMBER 2018

	Formula One	WAE	Other	Total
	£000	£000	£000	£000
Revenue	130,743	44,761	979	176,483
Other operating income	6,911	1,645	136	8,692
	137,654	46,406	1,115	185,175
EBITDA	15,977	5,121	(8,181)	12,917
Net profit/(loss) before taxation	12,506	4,413	(13,502)	3,417
Net (liabilities)/assets	(586)	(1,228)	52,853	51,039

YEAR ENDED 31 DECEMBER 2017

	Formula One	WAE	Other	Total
	£000	£000	£000	£000
Revenue	125,592	39,537	1,103	166,232
Other operating income	16,009	1,618	114	17,741
	141,601	41,155	1,217	183,973
EBITDA	16,019	5,035	(10,244)	10,810
Net (loss)/profit before taxation	11,626	4,339	(1,908)	14,057
Net assets/(liabilities)	9,154	(119)	37,559	46,594

Revenue from three (2017: two) commercial partners, each representing more than 10% of Group revenues amounted to approximately 31%, 13% and 10% of total Group revenues respectively (2017: 36% and 14%).

RECONCILIATION OF EBITDA TO NET PROFIT BEFORE TAXATION

	2018	2017
	£000	£000
EBITDA	**12,917**	10,810
Movement on derivative financial instruments at fair value through profit and loss	**(560)**	4,009
Equity-settled share-based payment expenses	**(1,388)**	(1,218)
Depreciation of tangible fixed assets	**(5,710)**	(5,462)
Amortisation of intangible fixed assets	**(1,100)**	(572)
Exceptional items	**-**	7,328
Interest payable and similar expenses	**(742)**	(838)
Net profit before taxation	**3,417**	14,057

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2018	2017
	£000	£000
Operating leases – plant and machinery	**560**	964
Foreign exchange losses	**1,294**	3,362
Profit on sale of tangible fixed assets	**(2,040)**	(247)
Depreciation of tangible fixed assets	**5,710**	5,462
Amortisation of intangible fixed assets	**1,100**	572
Auditor's remuneration	**192**	111
Research and development expenditure credit	**(8,006)**	(7,163)
Government grants receivable	**(1,750)**	(984)

4. EXCEPTIONAL ITEM

SALE OF LAND

During 2017, the Company sold a plot of land for £9.0 million, while incurring costs of £1.7 million in respect of site valuation, consultancy and other disposal related costs. A net profit of £7.3 million was recognised in the 2017 income statement as 'exceptional profit on sale of land'.

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

5. AUDITOR'S REMUNERATION

	2018	2017
	£000	£000
Audit of the financial statements	**149**	85
Fees payable to the Company's auditor and its associates for other services:		
Other assurance services	**43**	26

6. PARTICULARS OF EMPLOYEES

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

	2018	2017
	No.	No.
Administration and support	**116**	109
Research and development	**701**	640
Marketing	**45**	44
	862	793

The aggregate payroll costs were as follows:

	2018	2017
	£000	£000
Wages and salaries	**59,495**	55,270
Social security costs	**7,142**	6,430
Other pension schemes	**2,541**	2,137
	69,178	63,837

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

7. DIRECTORS' REMUNERATION

The Directors' remuneration for the year was as follows:

	2018	2017
	£000	£000
Remuneration	**7,527**	7,563
Contributions paid to money purchase schemes	**67**	37
	7,594	7,600

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

	2018	2017
	No.	No.
Accruing benefits under money purchase pension schemes	**2**	3
Accruing benefits under long term incentive schemes	**5**	5

In respect of the highest paid Director:

	2018	2017
	£000	£000
Remuneration	**4,438**	3,839
Company contributions to money purchase pension schemes	**-**	-
	4,438	3,839

8. SHARE-BASED PAYMENTS

During 2015 and 2017, the Group granted share options to certain employees. The options were granted with a zero exercise price and a vesting period of three years, subject to continued employment within the Group. Details of the share options outstanding during the year are as follows:

	2018		2017	
	Share options	**Weighted average exercise price**	Share options	Weighted average exercise price
	No.	**£**	No.	£
Outstanding at 1 January	**425,000**	**-**	215,000	-
Granted during the year	**-**	**-**	210,000	-
Exercised during the year	**(50,000)**	**-**	-	-
Outstanding at 31 December	**375,000**	**-**	425,000	-
Exercisable at 31 December	**165,000**	**-**	-	-

The Group recognised total expenses of £1,493,000 in relation to equity-settled share-based payment transactions in the year (2017: £1,218,000), comprising non-cash share-based payment expenses of £1,286,000 (2017: £1,070,000), cash share-based payment expenses of £105,000 (2017: £nil) and £102,000 in relation to associated payroll taxes (2017: £148,000). The share-based payment expense for each option was calculated using the market share price of the Company as at the grant date and spread evenly over the vesting period.

The Group has also granted cash-settled awards to certain senior employees where the payment is dependent on the Williams Grand Prix Holdings PLC share price at the point that the award is exercised. The awards have a vesting period of three years, subject to continued employment with the Group. If the share price is below a specified level at the point that the awards are exercised, the awards are deemed to have lapsed. The share-based payment expense for each award was calculated using a Monte Carlo Simulation model as the awards are subject to market conditions and the expense is spread over the vesting period. The Group recognised total credit of £186,000 in relation to cash-settled share-based payment transactions in the year (2017: expense of £904,000), comprising share-based payment expenses credit of £163,000 (2017: expense of £794,000) and credit of £23,000 in relation to associated payroll taxes (2017: expense of £110,000).

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018	2017
	£000	£000
Interest on bank borrowings	**650**	735
Interest on other loans	**25**	63
Interest payable on finance leases and hire purchase agreements	**67**	40
	742	838

10. TAXATION

Tax on profit on ordinary activities

	2018	2017
	£000	£000
Current tax		
Corporation tax charge	**-**	-
	-	-

10. TAXATION (CONTINUED)

The Group has estimated losses of approximately £93.5 million (2017: £99.3 million) available to carry forward against future trading profits. No deferred tax asset has been recognised in respect of these losses due to the uncertainty of the period over which they will be offset against taxable profits.

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax on profit on ordinary activities for the year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

The differences are reconciled below:

	2018	2017
	£000	£000
Profit on ordinary activities before tax	**3,417**	14,057
Corporation tax at standard rate	**649**	2,706
Permanent fixed asset differences	**319**	(1,337)
Expenses not deductible for tax purposes	**522**	663
Adjustment in research and development tax credit	**10**	(2,584)
Chargeable gains	**-**	1,242
Adjustments in respect of prior periods	**-**	895
Unrelieved tax losses utilised	**(1,481)**	(1,585)
Other differences	**(19)**	-
Total tax charge	**-**	-

A reduction in the UK corporation tax rate from 19% to 17% from 1 April 2020 was substantively enacted on 6 September 2016.

11. EARNINGS PER SHARE

	2018	2017
	No.	No.
Ordinary shares in issue	**10,000,000**	10,000,000
Weighted average number of shares held by WGP Trust	**(331,486)**	(350,000)
Weighted average number of shares outstanding for the purposes of basic earnings per share	**9,668,514**	9,650,000
Effect of share options outstanding during the year	**390,068**	266,781
Weighted average number of shares outstanding for the purposes of diluted earnings per share	**10,058,582**	9,916,781

12. PROFIT ATTRIBUTABLE TO THE PARENT COMPANY

The profit for the year to 31 December 2018 dealt with in the accounts of the parent company (Williams Grand Prix Holdings PLC) was £nil (2017: £nil).

13. INTANGIBLE FIXED ASSETS

GROUP

	Software	Total
	£000	£000
Cost		
At 1 January 2018	3,399	3,399
Additions	1,755	1,755
Disposals	(27)	(27)
At 31 December 2018	**5,127**	**5,127**
Amortisation		
At 1 January 2018	1,632	1,632
Charge for the year	1,100	1,100
At 31 December 2018	**2,732**	**2,732**
Net book value		
At 31 December 2018	**2,395**	**2,395**
At 31 December 2017	1,767	1,767

14. HERITAGE ASSETS

GROUP

	£000
Valuation	
At 1 January 2018	21,683
Additions	200
Disposals	(1,925)
At 31 December 2018	**19,958**

Five year financial summary of heritage asset transactions:

	2018	2017	2016	2015	2014
	£000	£000	£000	£000	£000
Additions	**200**	200	200	200	150
Disposals – carrying value	**1,925**	225	838	675	462
Disposals – sale proceeds	**3,902**	450	1,171	754	735
Impairment	**-**	-	-	50	-

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

15. TANGIBLE FIXED ASSETS

GROUP

	Freehold land and buildings	Plant and machinery	Fixtures and fittings	Total
	£000	£000	£000	£000
Cost				
At 1 January 2018	30,565	55,499	2,081	88,145
Additions	102	2,279	861	3,242
Disposals	-	(3)	(36)	(39)
At 31 December 2018	**30,667**	**57,775**	**2,906**	**91,348**
Depreciation				
At 1 January 2018	1,028	43,932	1,324	46,284
Charge for the year	350	5,071	289	5,710
At 31 December 2018	**1,378**	**49,003**	**1,613**	**51,994**
Net book value				
At 31 December 2018	**29,289**	**8,772**	**1,293**	**39,354**
At 31 December 2017	29,537	11,567	757	41,861

LEASED ASSETS

Included within the net book value of tangible fixed assets is £469,000 (2017: £781,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £312,000 (2017: £392,000).

16. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

COMPANY

	£000
Cost and net book value as at 1 January 2018	3,027
Share-based payments	736
Cost and net book value as at 31 December 2018	**3,763**

17. STOCKS

GROUP

	2018	2017
	£000	£000
Stock and work in progress	**3,129**	1,477
	3,129	1,477

18. DEBTORS

GROUP

	2018	2017
	£000	£000
Trade debtors	**14,587**	22,713
Prepayments and accrued income	**29,910**	18,484
Other debtors	**13,262**	12,232
	57,759	53,429

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

GROUP

	2018	2017
	£000	£000
Bank loans and overdrafts	**12,231**	10,277
Obligations under finance lease and hire purchase contracts	**362**	329
Trade creditors	**6,136**	6,448
Other taxes and social security	**2,103**	1,871
Accruals and deferred income	**42,356**	31,227
Other creditors	**8,461**	16,563
Derivative financial liabilities	**560**	-
	72,209	66,715

20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

GROUP

	2018	2017
	£000	£000
Bank loans and overdrafts	**8,635**	10,866
Obligations under finance lease and hire purchase contracts	**189**	528
	8,824	11,394

All bank loans are secured by a legal charge over the freehold property owned by the Group. A fixed and floating charge in favour of the bank is held over all assets, present and future.

21. BANK BORROWINGS

	2018	2017
	£000	£000
Amounts repayable		
In less than one year	**12,231**	10,277
In more than one year but less than two years	**1,635**	2,231
In more than two years but not more than five years	**7,000**	8,635
	20,866	21,143

See note 22 for further details of bank borrowings held.

22. FINANCIAL INSTRUMENTS

The Group has the following financial instruments:

	2018	2017
	£000	£000
Financial assets measured at amortised cost		
Trade and other debtors	**27,849**	34,945
	27,849	34,945
Financial liabilities measured at fair value through profit or loss		
Derivative financial instruments	**(560)**	-
	(560)	-
Financial liabilities measured at amortised cost		
Bank loans and overdrafts	**(20,866)**	(21,143)
Obligations under finance lease and hire purchase contracts	**(551)**	(857)
Trade and other creditors	**(14,597)**	(23,011)
	(36,014)	(45,011)

Objectives, policies and strategies for managing risks relating to financial instruments are disclosed within the Strategic Report on pages 13 and 14.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into forward foreign currency contracts to reduce exposure to foreign exchange rates. At 31 December 2018, the outstanding contracts were all due to mature within 12 months of the year end. All of the contracts were forward contracts between USD and GBP and USD and EUR. The fair value of these contracts as at 31 December 2018 has been calculated by a third party, and is a liability of £560,000 (2017: £nil).

BANK LOANS AND OVERDRAFTS

The fair value of cash is considered to be equal to its book value. The fair value of bank borrowings in both periods is approximately equal to its book value. The fair value is calculated by discounting future cash flows using a rate based on the borrowing rate.

22. FINANCIAL INSTRUMENTS (CONTINUED)

The Group's debt facilities comprise:

- A loan facility of £9,000,000 repayable in six instalments over a three year term. These instalments are £500,000 on 30 April 2019 and every six months thereafter until 30 April 2021, with all outstanding sums repaid in full on 31 October 2021. This facility carries interest at 2.4% over LIBOR.
- A loan facility of £1,866,000 repayable in eighteen instalments over a two year term. These instalments are interest and capital repayments of £107,000 on 31 January 2019 and every month thereafter, with all outstanding sums repaid in full on 30 June 2020.
- A revolving credit facility of £10,000,000 to be made available throughout the period ending 31 October 2021. This facility carries interest at 2.4% over LIBOR.
- An overdraft facility of £5,000,000. This facility carries interest at 2.4% over the Bank of England Base Rate, and is subject to renewal in June each year.

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

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

23. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

AMOUNTS REPAYABLE UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS:

GROUP

	2018	2017
	£000	£000
Within one year	**370**	357
In two to five years	**198**	545
	568	902
Less finance charges allocated to future periods	**(17)**	(45)
	551	857

As at 31 December 2018 the Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2018	2017
	£000	£000
Within one year	**644**	557
Within two to five years	**2,009**	2,083
In more than five years	**34**	173
	2,687	2,813

24. CONTINGENT LIABILITIES

The Group and Company had no contingent liabilities as at 31 December 2018 or as at 31 December 2017.

25. RELATED PARTY TRANSACTIONS

Sir Frank Williams is the Group's controlling party by virtue of his 52.25% beneficial interest in the ordinary share capital of the Company. In his role as Team Principal during the year, Sir Frank Williams received remuneration of £559,000 (2017: £760,000) from Williams Grand Prix Engineering Limited.

During the year, the Williams Grand Prix Engineering Limited sold £434,000 (2017: £nil) of services to Hollinger Motorsports LLC, a company of which Brad Hollinger, a Director of the Company, is the majority shareholder. The amount outstanding from Hollinger Motorsports LLC as at 31 December 2018 was £84,000 (2017: £nil).

During the year, Williams Advanced Engineering Limited sold £10,000 (2017: £394,000) of services to Vibra Healthcare, a company of which Brad Hollinger, a Director of the Company, is the majority shareholder. The amount outstanding from Vibra Healthcare as at 31 December 2018 was £4,000 (2017: £86,000).

Williams Grand Prix Engineering Limited has an agreement with Marc Harris Sports Management Limited to provide certain services in association with the identification and management of drivers. Marc Harris Sports Management Limited is controlled by Marc Harris who is married to Claire Williams, a Director of the Company. During the year a total of £156,000 (2017: £nil) was due to Marc Harris Sports Management Limited for services provided. The amount outstanding to Marc Harris Sports Management Limited as at 31 December 2018 was £156,000 (2017: £nil).

26. SHARE CAPITAL AND OTHER RESERVES

ALLOTTED, CALLED UP AND FULLY PAID SHARES

	2018		2017	
	No.	**£000**	No.	£000
Ordinary shares of 5p each	**10,000,000**	**500**	10,000,000	500

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

OTHER GROUP RESERVES

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

Other reserves represent share-based payment entries and shares issued as part of the Group reorganisation in 2011.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

RECONCILIATION OF PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Note	2018	2017
		£000	£000
Profit for the year		3,417	14,057
Exceptional profit on sale of land		-	(7,328)
Net finance costs		742	838
Movement on derivative financial instruments at fair value through profit and loss		560	(4,009)
Depreciation and amortisation charges	13, 15	6,810	6,034
Equity based compensation	8	1,028	1,070
Profit on disposal of fixed assets	3	(2,040)	(247)
Increase in stocks	17	(1,652)	(276)
(Increase)/decrease in debtors	18	(4,089)	7,016
Increase/(decrease) in creditors		2,706	(1,050)
Taxation paid		-	-
Net cash inflow from operating activities		7,482	16,105

RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES TO OPERATING FREE CASH FLOW

	2018	2017
	£000	£000
Net cash inflow from operating activities	7,482	16,105
Payments to acquire fixed assets	(5,197)	(5,675)
Receipts from the sale of fixed assets	4,031	8,990
Operating free cash flow	6,316	19,420

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2018	2017
	£000	£000
Increase in cash in the year	4,991	6,447
Net cash outflow from bank loans	277	11,787
Change in net debt resulting from cash flows	5,268	18,234
Decrease in net debt from finance leases	306	348
Movement in net debt in the year	5,574	18,582
Net debt at 1 January	(17,514)	(36,096)
Net debt at 31 December	(11,940)	(17,514)

28. ANALYSIS OF NET DEBT

	At 31 December 2017	Cash flows	Non-cash movement	**At 31 December 2018**
	£000	£000	£000	**£000**
Net cash				
Cash in hand and at bank	4,486	4,991	-	**9,477**
Debt				
Debt due within 1 year	(10,277)	(1,954)	-	**(12,231)**
Debt due after 1 year	(10,866)	2,231	-	**(8,635)**
Finance leases	(857)	373	(67)	**(551)**
	(22,000)	650	(67)	**(21,417)**
Net debt	(17,514)	5,641	(67)	**(11,940)**

29. CAPITAL COMMITMENTS

GROUP

Amounts contracted for but not provided in the financial statements amounted to £492,000 (2017: £854,000).

30. CONTROLLING RELATED PARTY

Sir Frank Williams is the Group's controlling related party by virtue of his 52.25% beneficial interest in the ordinary share capital of the Company.

31. GROUP COMPANIES

The Group companies included within the consolidated financial statements are shown below.

Name	Owner	Shares held	Activity
Williams Grand Prix Engineering Limited	Company	100% ordinary shares	High performance engineering
Williams Advanced Engineering Limited	Group	100% ordinary shares	Engineering and consultancy
Williams Advanced Engineering Technologies Limited	Group	100% ordinary shares	Engineering and consultancy
Williams Technology Ventures Limited	Group	100% ordinary shares	Engineering and consultancy
WGP Trustees Limited	Company	100% ordinary shares	Trustee
Williams F1 Limited	Group	100% ordinary shares	Dormant
The Williams F1 Team Foundation	Group	Limited by guarantee	Dormant

The companies above represent all subsidiaries of the Group, and all are incorporated in England and Wales. The registered office address for all of the Group's subsidiaries is Grove, Wantage, Oxfordshire, OX12 0DQ.

JOINT VENTURE ENTITIES

Name	Owner	Shares held	Activity
Hyperbat Limited	Group	50% ordinary shares	Engineering and consultancy

The registered office address for Hyperbat Limited is Unipart House, Garsington Road, Cowley, Oxford, OX4 2PG.

COMPANY INFORMATION

DIRECTORS

M Biddle
B Hollinger
D Lafferty
P Lowe
M O'Driscoll
N Rose
C Williams

COMPANY SECRETARY

M Biddle

REGISTERED OFFICE

Grove
Wantage
Oxfordshire
OX12 0DQ

BANKER

HSBC Bank PLC
Cornmarket Street
Oxford
Oxfordshire
OX1 3HY

AUDITOR

KPMG LLP
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

DEFINITION OF TERMS

THE CODE

The UK Corporate Governance Code.

EBITDA

Earnings before interest, taxes, depreciation and amortisation and excluding non-cash share-based payment charges and mark-to-market charges on financial derivatives.

FRS 102

Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdomand the Republic of Ireland".

OPERATING FREE CASH FLOW

Cash flows from operating activities including capital expenditure and disposals of fixed assets, but excluding other investment activities such as the disposal of companies.

RDEC

Research and Development Expenditure Credits.

WILLIAMS

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