WILLIAMS

WILLIAMS GRAND PRIX HOLDINGS PLC

INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

Registration number: 07475805

INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

Williams Grand Prix Holdings PLC (WGPH, Ticker: WGF1) today announced its interim results for the six months to 30 June 2015. WGPH is the holding company of the Williams Group of companies, which includes Williams Grand Prix Engineering Limited.

Overall Group revenue for the period was £63.2m (2014: £44.1m), with EBITDA of (£1.4m) (2014: (£19.6m)). The Group's operating free cash flow saw a strong increase compared to 2014 of £7.0m (2014: (£18.7m)).

The Formula One division has reported revenues of £51.8m (2014: £34.6m), with an EBITDA of (£2.5m) (2014: (£19.8m)). Williams Advanced Engineering, the division that commercialises Formula One derived technology and know-how, generated revenues of £10.9m (2014: £7.8m) with an EBITDA of £1.0m (2014: £0.8m).

Mike O'Driscoll, Group Chief Executive Officer, said; "Our first half results represent a significant improvement over the same period in 2014, with strong revenue growth and positive cash flow. We made a small EBITDA loss through the first half of the year, which was in line with our expectations.

"Mid-way through 2013 we set out on an ambitious turnaround strategy to reinvigorate the Formula One team, create a strong and profitable Advanced Engineering business, and divest non-core activities. In 2014 we made excellent progress against those objectives, with a third place finish in the Formula One Constructors Championship, and an expansion of our Advanced Engineering division. This progress has been sustained into 2015.

"The improved performance of our Formula One team on the track is now reflected in both higher commercial rights income and increased sponsorship revenue, bolstering our financial results. We will prioritise technological innovation, but simultaneously continue to balance our investment, with strong controls, during a time of rising costs for all Constructors.

"Williams Advanced Engineering has demonstrated continued progress, with revenue and EBITDA increasing, albeit modestly. We anticipate that this trend will continue, while we build up our capabilities in new sectors, primarily aerospace and defence. The announcement of a recent multi-year contract with global defence contractor General Dynamics is evidence of the progress we are making in this division.

"Overall, these interim results are encouraging, and represent very good progress. However, we face continued cost pressures due to the spending levels of our major Formula One competitors, and this challenging environment will undoubtedly continue in the near term. We remain determined to build the necessary foundations for future sporting and commercial success, both on and off the track."

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

	30 JUNE 2015	30 JUNE 2014		
	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000
Revenue	**63,237**	42,733	1,339	44,072
Cost of sales	**(20,441)**	(22,974)	(2,033)	(25,007)
Gross profit	**42,796**	19,759	(694)	19,065
Other operating charges	**(49,648)**	(42,318)	(251)	(42,569)
Other operating income	**2,833**	2,374	119	2,493
(Loss)/profit from operations	**(4,019)**	(20,185)	(826)	(21,011)
Profit on disposal of operation	**-**	-	3,861	3,861
Finance income	**-**	16	-	16
Finance expense	**(500)**	(123)	-	(123)
(Loss)/profit on ordinary activities before tax	**(4,519)**	(20,292)	3,035	(17,257)
Tax on loss on ordinary activities	**-**	-	-	-
(Loss)/profit on ordinary activities after taxation	**(4,519)**	(20,292)	3,035	(17,257)
Non-controlling interests	**-**	-	(1,507)	(1,507)
(Loss)/profit for the interim period attributable to members of the parent company	**(4,519)**	(20,292)	1,528	(18,764)
Total comprehensive income for the year	**(4,519)**	(20,292)	1,528	(18,764)

LOSS PER SHARE

	2015	2014		
	Total	Continuing operations	Discontinued operations	Total
Basic and diluted (loss)/profit per share from continuing operations (pence)	**(46.83)**	(210.28)	15.83	(194.45)
Total basic and diluted (loss)/profit per share (pence)	**(46.83)**	(210.28)	15.83	(194.45)

Note: The unaudited results for the six months ended 30 June 2015 are derived entirely from continuing operations

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Called up share capital	Revaluation reserve	Other reserves	Profit and loss account	Equity attributable to equity owners of the parent	Non-controlling interest	Total shareholders' equity
	£000	£000	£000	£000	£000	£000	£000
At 1 January 2014	500	23,183	(268)	49,650	73,065	(1,201)	71,864
Loss for the period				(18,764)	(18,764)	-	(18,764)
Other comprehensive income				-	-	-	-
Total comprehensive income for the period				(18,764)	(18,764)	-	(18,764)
Non-controlling interest				-	-	1,201	1,201
At 30 June 2014	500	23,183	(268)	30,886	54,301	-	54,301
						-	
At 1 January 2015	500	22,721	(268)	12,363	35,316	-	35,316
Loss for the period				(4,519)	(4,519)	-	(4,519)
Other comprehensive income						-	
Total comprehensive income for the period	-	-	-	(4,519)	(4,519)	-	(4,519)
Equity based compensation			364	-	364	-	364
Realisation of profit on revalued assets		(450)		450	--	-	
At 30 June 2015	500	22,271	96	8,294	31,161	-	31,161

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

	30 JUNE 2015	31 DECEMBER 2014
	£000	£000
Fixed assets		
Intangible assets	313	391
Heritage assets	22,421	22,871
Tangible assets	41,718	43,332
	64,452	66,594
Current assets		
Stocks	310	230
Debtors	23,717	29,478
Cash at bank and in hand	16,654	831
	40,681	30,539
Creditors: Amounts falling due within one year	(48,885)	(41,839)
Net current liabilities	(8,204)	(11,300)
Total assets less current liabilities	56,248	55,294
Creditors: Amounts falling due after more than one year	(25,087)	(19,978)
Net assets	31,161	35,316
Capital and reserves		
Called up share capital	500	500
Revaluation reserve	22,271	22,721
Other reserves	96	(268)
Profit and loss account	8,294	12,363
Equity attributable to owners of the parent company	31,161	35,316

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

GROUP STATEMENT OF CASH FLOWS

	2015	2014
	£000	£000
Group loss for the period	**(4,519)**	**(21,118)**
Adjustments to reconcile profit for the year to net cash flow from operating activities		
Net finance costs	500	107
Movement on derivative financial instruments at FVTPL	(438)	-
Depreciation and amortisation charges	2,662	1,395
Equity based compensation	364	-
(Profit)/loss on disposal of tangible fixed assets	(425)	5
(Increase)/decrease in stocks	(80)	317
Decrease/(increase) in debtors	6,705	(7,389)
Increase in creditors	1,991	12,103
Net cash inflow/(outflow) from operating activities	**6,760**	**(14,580)**
Investing activities		
Interest received	-	16
Disposal of investments in subsidiary undertakings	-	5,360
Payments to acquire fixed assets	(734)	(4,179)
Receipts from the sale of fixed assets	964	19
Net cash flow from investing activities	**230**	**1,216**
Financing activities		
Interest paid	(500)	(210)
Value of new loans obtained during the period	16,000	2,892
Repayment of loans and borrowings	(6,500)	-
Repayment of capital element of finance leases and HP contracts	(167)	-
Net cash flow from financing activities	**8,833**	**2,682**
Increase/(decrease) in cash and cash equivalents	**15,823**	**(10,682)**
Effect of exchange rates on cash and cash equivalents	-	(223)
Cash and cash equivalents at 1 January	831	15,157
Cash and cash equivalents at 30 June	16,654	4,252

1. BASIS OF PREPARATION

The Group's financial statements have been prepared in compliance with FRS 104 *Interim Financial Reporting*. The Group transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. An explanation of how the transition to FRS 102 has affected the reported financial position and financial performance is given in note 8.

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £000.

Except as disclosed in note 8 the financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2014 but is derived from those accounts. Statutory accounts for 2014 have been delivered to the registrar of companies. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

BASIS OF CONSOLIDATION

The consolidated financial statements are adjusted, where appropriate, to conform to Group accounting policies. As a consolidated profit and loss account 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.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes the cumulative profits or losses and net assets of subsidiaries between owners of the parent and non-controlling interests based on their respective ownership interests.

GOING CONCERN

The Board has reviewed cash flow forecasts for the twelve months from 4 September 2015. These forecasts take into account income which is already contracted. 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. The Group has considerable other assets which could be sold or used as security for other fundraising.

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.

During the period, the Group amended its borrowing facilities with HSBC. This increased available term loans by £11m and reduced revolving credit facilities by £10m. In addition, the Group entered into a £5m five year financing arrangement secured on specific operational equipment.

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 be 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.

1. BASIS OF PREPARATION

Tangible fixed assets

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

During the period, the Directors have reviewed the depreciation method, useful lives and residual values applied to tangible fixed assets. As a result of this review, it was decided to update the depreciation methods and useful lives to reflect current estimates of the pattern of consumption of economic benefits of assets. The changes to depreciation methods and useful lives have been recognised prospectively from the date of change.

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.

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.

1. BASIS OF PREPARATION

Heritage assets

The Group maintains a collection of historic Formula One cars. These assets are held on the balance sheet at the Directors' valuation. The valuation has been performed by a specialist looking at the cars individually, considering the value inherent in the provenance attached (e.g. championship winning cars), as well as looking at sales values for similar vehicles where possible. Assets are revalued every five years and gains and losses are recognised in other comprehensive income. Formula One racing cars retained at the end of each season 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, less its estimated residual value, over the useful economic life of that asset as shown below.

Assets classified as plant & machinery, wind tunnel and vehicles & pit equipment are presented as plant & machinery assets in the notes to the accounts. A nil depreciation rate is provided in respect of the freehold land. Finance costs on fixed asset additions are capitalised during the period of construction and written off as part of the total cost. No depreciation is charged during the period of construction.

The Group capitalises the costs of constructing new tangible fixed assets during the period for which they are under construction and written off as part of the total cost. No depreciation is charged during the period of construction.

Asset class	Depreciation method and rate
Plant & machinery	Between 6 and 8 years straight-line
Fixtures, fittings & equipment	6 years straight-line
Freehold buildings	Factory - 50 years straight-line Wind Tunnel buildings – 25 years straight-line
Freehold land	Not depreciated

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 six years.

Stock and work in progress

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

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the 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. 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.

1. BASIS OF PREPARATION

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. Derivative 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.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

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.

Discontinued operations

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

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 profit and loss reserve. No gain or loss is recognised on the purchase, sale, issue or cancellation of equity shares.

2. SEGMENTAL ANALYSIS

UNAUDITED RESULTS FOR SIX MONTHS ENDED 30 JUNE 2015

	2015				2014			
	Formula One	WAE	Other	**Total**	Formula One	WAE	Other	**Total**
	£000	£000	£000	**£000**	£000	£000	£000	**£000**
Revenue from provision of services	51,847	10,929	461	63,237	34,553	7,845	1,674	44,072
Other operating income	2,384	450	-	2,833	2,235	139	118	2,492
Adjusted EBITDA	**(2,509)**	**1,034**	**94**	**(1,381)**	**(19,759)**	**816**	**(674)**	**(19,617)**
Depreciation and amortisation	(2,378)	(252)	(32)	(2,662)	(1,118)	(127)	(149)	(1,394)
Other income and expense	24	-	-	24	-	-	-	-
Operating profit	**(4,863)**	**782**	**62**	**(4,019)**	**(20,877)**	**689**	**(823)**	**(21,011)**
Profit on disposal of operation					-	-	3,861	3,861
Interest income				-				16
Interest expense				(500)				(123)
Profit before tax				(4,519)				(17,257)
Taxation				-				-
Profit after tax				**(4,519)**				**(17,257)**

3. FINANCE INCOME

	2015	2014
	£000	£000
Other interest receivable	-	16

4. FINANCE EXPENSE

	2015	2014
	£000	£000
Interest on bank loans and overdrafts	465	185
Other interest payable	-	25
Interest payable on finance leases and hire purchase agreements	35	-
Foreign exchange gain on borrowing	-	(87)
	500	123

5. TAXATION

The Group has estimated losses of approximately £123.9 million (2014: £119.4 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.

6. LOSS PER SHARE

At the 30 June 2015 and at the 30 June 2014 the Group has issued 10,000,000 ordinary shares. Of these shares, 350,000 were held by the WGP Trust, an employee benefit trust. As such, the weighted average number of shares for calculating basic earnings per share at 30 June 2015 and 30 June 2014 was 9,650,000. There were a number of potentially issuable shares in relation to equity based compensation. These potentially issuable shares are anti-dilutive and as such, no diluted loss per share is presented.

7. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Plant and machinery	Fixtures and fittings	Total
	£000	£000	£000	£000
Cost				
As at 1 Jan 2015	29,862	56,676	6,015	92,553
Additions	121	882	55	1,058
Disposals	-	(12,959)	(4,587)	(17,546)
At 30 Jun 2015	29,983	44,599	1,483	76,065
Accumulated depreciation				
As at 1 Jan 2015	-	44,217	5,004	49,221
Charge for the period	165	2,148	270	2,584
Eliminated on disposal		(12,870)	(4,587)	(17,457)
At 30 Jun 2015	165	33,495	687	34,348
Net book value at 30 Jun 2015	29,818	11,105	795	41,717
Net book value at 1 Jan 2015	29,862	12,459	1,011	43,332

8. TRANSITION TO FRS 102

The group transitioned to FRS 102 from previously extant UK GAAP as at 1 January 2014. The impact of the transition to FRS 102 is as follows:

RECONCILIATION OF EQUITY AT 1 JANUARY 2014

	£000
Equity Shareholders funds at 1 January 2014 under previous UK GAAP	72,124
Holiday pay accrual	(260)
Equity Shareholders funds at 1 January 2014 under FRS 102	71,864

RECONCILIATION OF EQUITY AT 31 DECEMBER 2014

	£000
Equity Shareholders funds at 31 December 2014 under previous UK GAAP	35,576
Holiday pay accrual	(260)
Equity Shareholders funds at 31 December 2014 under FRS 102	35,316

HOLIDAY PAY ACCRUAL

Under previous UK GAAP, the group did not accrue for holiday pay that was earned but the holiday entitlement was expected to be taken in the subsequent financial year. Under FRS 102, the group is required to accrue for all short term compensated absences as holiday entitlement earned but not taken at the date of the statement of financial position. The impact is to increase holiday pay accrued by £260,000 for the group at both 1 January 2014 and 31 December 2014 respectively.

INTANGIBLE ASSETS

Software that is not an integral part of the related hardware is now treated as an intangible asset. Under previous UK GAAP these amounts would have been classified in property, plant and equipment.