

RENAULT SPORT RACING LIMITED

Annual Report and Financial Statements
31 December 2018



RENAULT SPORT RACING LIMITED

REPORT AND FINANCIAL STATEMENTS 2018

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STRATEGIC REPORT

The Directors present their strategic report of the company for the year ended 31 December 2018.

BUSINESS REVIEW

The principal activity of the Company is the running of a Formula One racing team.

The Company carries out this activity through the design and manufacture of racing cars for participation in the FIA Formula One World Championship.

The Company's principal long-term objective is to win the FIA Formula One World Championship. The directors consider race results and championship performance to be the key performance indicators as well as financial control within the Company.

2018 consolidated the team's position as the most exciting prospect on the grid. Drivers Nico Hülkenberg and Carlos Sainz scored a total of 122 points, more than double the 2017 total, to guide the team to fourth in the Constructors' Championship, a two-place improvement on 2017. Performance improvement and reliability was underlined by points-scoring finishes at 17 of the 21 Grands Prix. The team's best result was fifth (twice). It expects to continue its positive momentum through to 2019, thanks to heavy investment at its facilities in the UK and France, increased headcount and the recruitment of seven-time Grand Prix winner Daniel Ricciardo.

BUSINESS ENVIRONMENT

Turnover for the year, comprising mainly of sponsorship income and prize money, was £146.6 million (2017: £136.3 million) and the loss after taxation for the financial year was £7.4 million (2017: profit £1.1 million).

Turnover continued to grow for a third consecutive year (7.6% increase) since Renault's acquisition of the Team at the end of 2015, this is due to an increase in sponsorship income along with an enhanced prize fund resulting from improved on-track performance.

Despite the continued growth in turnover, financial results have deteriorated for the first time in three years, primarily driven by two factors. Expected turnover was negatively impacted by the strength of the British Pound versus the Euro and US Dollar. Almost all turnover is denominated in Euro and US Dollar whilst the majority of costs are Sterling denominated. In addition, in order to achieve the Team's best Constructors' Championship result since 2013, extra resources were added to in-season car development which helped secure the 4th place position in the Constructors' Championship.

Fixed assets additions totalled £10.6 million on top of the £34.6 million additions in the prior two years bringing the total fixed asset investment since Renault's acquisition of the Team to £45.2 million. Whilst the major investment required initially is now complete there are key projects which are in the pipeline for 2019, and beyond, to achieve Renault's long-term plans to win the Constructor's Championship.

The Company continues to monitor Brexit developments and to put plans in place for different scenarios, including whether the impact can be partially mitigated by utilising the operations the group has within the European Union.

STRATEGIC REPORT**PRINCIPAL RISKS AND UNCERTAINTIES**

The Directors are of the opinion that a thorough risk management process is adopted through regular financial review. The risks and uncertainties facing the Company might be broadly grouped as: Competitive, Legislative, and Financial.

- **Competitive Risks**

The Company's financial performance is subject to variation where some of its principal sponsors pay bonuses in respect to results achieved on track. Such results also combine to affect a proportion of the Company's income from prize money in the following season, as well as generally impacting on the Company's ability to generate sponsorships in the future. The Company performs regular financial reviews to ensure they have sufficient financial resources to meet liabilities as they fall due.

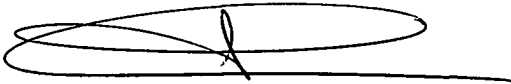
- **Legislative Risks**

As a competitor in the FIA Formula One World Championship, the Team is subject to the International Sporting Code, the current F1 Technical and Sporting Regulations, and the provisions laid out in the 2009 Concorde Agreement or such similar agreements. The Company works with its employees, agents and advisors, and also the governing body to ensure its compliance.

- **Financial Risks**

The Company uses loans, cash, and trade payables and receivables directly in the course of its on-going operations. The Company seeks to minimise exposure to exchange risk through matching currency assets and expenditure to income and borrowings.

On behalf of the board



Cyril Abiteboul

Director

Date 30th April 2019

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

The principal activities and associated risks have been discussed in the strategic report.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (2017: £nil). The loss for the year of £7.4 million (2017: profit £1.1 million) has been added to the deficit on the profit and loss account.

RESEARCH AND DEVELOPMENT

Information relating to research and development expenditure on racing cars is given in note 1 to the financial statements.

DIRECTORS

The following served as directors during the year:

J Stoll
T Cognet
T Bollore
C Abiteboul
G Lopez
B Mercer (Company Secretary)

CHARITABLE DONATIONS

The Company made nil (2017: nil) charitable donations to a national charity during the period.

EMPLOYEES

Applications for employment of disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person who does not suffer from a disability.

The company has arrangements for providing information to employees, involving employees in the company's performance and achieving awareness amongst employees of the factors affecting the company's performance.

DIRECTORS INDEMNITY

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approval of the Directors' Report.

DISCLOSURE OF INFORMATION TO THE AUDITORS

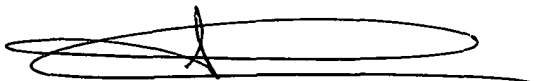
So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the group's auditor, each Director has taken all the steps that they is obliged to take as a Director in order to have made themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

DIRECTORS' REPORT

AUDITOR

KPMG LLP have expressed a willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board on 30th April 2019.

A handwritten signature in black ink, consisting of a large, stylized loop followed by a vertical stroke and a horizontal line extending to the right.

Cyril Abiteboul
Director

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

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

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

KPMG LLP

58 Clarendon Road
Watford
WD17 1DE
United Kingdom

Independent Auditor's Report to the members of Renault Sport Racing Limited

Opinion

We have audited the financial statements of Renault Sport Racing Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss account and other comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

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, such as valuation of stocks, debtors and 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 company'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 company'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.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company'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 its 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").

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. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 company will continue in operation.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



David Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
58 Clarendon Road
Watford
WD17 1DE

Date *7 May 2019*

RENAULT SPORT RACING LIMITED

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDING 31 DECEMBER 2018

	Note	2018 £000	2017 £000
TURNOVER	1	146,624	136,253
Cost of sales		<u>(132,690)</u>	<u>(113,903)</u>
GROSS PROFIT		13,934	22,350
Administration expenses		<u>(19,569)</u>	<u>(19,794)</u>
OPERATING (LOSS)/PROFIT	2	(5,635)	2,556
Other interest receivable and similar income	5	29	18
Interest payable and similar charges	6	<u>(2,220)</u>	<u>(2,005)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(7,826)	569
Tax on (loss)/profit on ordinary activities	7	<u>419</u>	<u>536</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE FINANCIAL YEAR	19	(7,407)	1,105

The Company has no other comprehensive income for the year and hence the profit / loss for the financial year represents the total comprehensive profit for the year.

All results relate to continuing operations.

The notes on pages 12 to 28 form part of these financial statements.

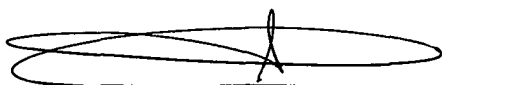
RENAULT SPORT RACING LIMITED**BALANCE SHEET****Registered No: 1806337****Year ended 31 December 2018**

	Note	2018	2017
		£000	£000
FIXED ASSETS			
Intangible assets	8	1,100	1,208
Tangible assets	9	49,837	45,857
Heritage assets	10	3,980	3,980
		<u>54,917</u>	<u>51,045</u>
CURRENT ASSETS			
Stocks	11	8,742	7,345
Debtors	12	33,709	26,852
Cash at bank and in hand		7,409	2,331
		<u>49,860</u>	<u>36,528</u>
CREDITORS: amounts falling due within one year	13	<u>(145,781)</u>	<u>(121,170)</u>
NET CURRENT LIABILITIES		<u>(95,921)</u>	<u>(84,642)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(41,004)</u>	<u>(33,597)</u>
CREDITORS: amounts falling due after one year	14	<u>-</u>	<u>-</u>
NET LIABILITIES		<u>(41,004)</u>	<u>(33,597)</u>
CAPITAL AND RESERVES			
Called up share capital	18	158,346	158,346
Share premium	18	13,256	13,256
Capital contribution reserves	20	42,154	42,154
Profit and loss account	19	(254,760)	(247,353)
EQUITY SHAREHOLDERS' DEFICIT	20	<u>(41,004)</u>	<u>(33,597)</u>

The notes on pages 12 to 28 form part of these financial statements.

These financial statements were approved by the Board of Directors on 30th April 2019.

On behalf of the board



Cyril Abiteboul

Director

RENAULT SPORT RACING LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Called up Share capital	Share Premium account	Capital contribution reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2017	158,346	13,256	42,154	(248,425)	(34,669)
Total comprehensive income for the period					
Profit or loss	-	-	-	1,105	1,105
Total comprehensive income for the period	-	-	-	1,105	1,105
Adjustments on initial application of IFRS 9	-	-	-	(33)	(33)
Balance at 31 December 2017	158,346	13,256	42,154	(247,353)	(33,597)
Total comprehensive income for the period					
Profit or loss	-	-	-	(7,407)	(7,407)
Total comprehensive income for the period	-	-	-	(7,407)	(7,407)
Issue of shares	-	-	-	-	-
Balance at 31 December 2018	158,346	13,256	42,154	(254,760)	(41,004)

The notes on pages 12 to 28 form part of these financial statements.

RENAULT SPORT RACING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1. ACCOUNTING POLICIES

Renault Sport Racing Limited is a private Company, incorporated domiciled and registered in the UK. The registered number is 1806337. The registered address is Whiteways Technical Centre, Enstone, Oxfordshire, OX7 4EE.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Renault S.A. includes the Company in its consolidated financial statements. The consolidated financial statements of Renault S.A. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Renault 13/15, quai Le Gallo – 92513 Boulogne-Billancourt Cedex France.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Changes in accounting policies

New standards, interpretations and amendments effective from 1 January 2018

IFRS 9 and IFRS 15

There are no material adjustments required to be made to the company's financial statements as a result of the application of IFRS 9 and IFRS 15 from 1 January 2018. For adjustments booked as a part of the transition to IFRS 9, please see note 26.

Measurement convention

The financial statements are prepared on the historical cost basis except heritage assets which are stated at fair value.

Going concern

Notwithstanding net current liabilities of £95,920,000 and net liabilities of £41,004,063 as at 31 December 2018, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its overdraft facility and related party loans to meet its liabilities as they fall due for that period.

RENAULT SPORT RACING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1. ACCOUNTING POLICIES (CONTINUED)

Those forecasts are dependent on the company's immediate parent company, Grigny (UK) Limited and subsequently the company's ultimate parent company Renault S.A. not seeking repayment of the amounts currently due to the group, which as at 31 December 2018 amounted to £109,906,000. The Directors have discussed the financial position with Grigny (UK) Limited and the company's ultimate parent company Renault S.A. and those parties have confirmed that they do not intend to seek repayment of these amounts for the period covered by the forecasts and will continue to make available such funding as required for a period of at least 12 months in line with the business review on page 1.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no guarantee that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Financial instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Trade and other debtors / creditors

All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method or fair value, depending on the classification of the financial asset or liability less any credit impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and money held in the Company bank account. The Company does not have any bank overdraft facilities.

RENAULT SPORT RACING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1. ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets

Tangible fixed assets are stated at deemed cost or historic cost less accumulated depreciation and accumulated impairment losses. Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 101, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Freehold Buildings	30 years
Motor vehicles	4 years
Plant, machinery, furniture and fittings	3–10 years

Assets under construction are held separately within fixed assets and are not subject to depreciation until they are brought into use. When the asset is brought into use it is transferred to the relevant fixed asset category.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives are as follows:

Software	3 years
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Heritage assets

The Company holds heritage assets, being its collection of historic cars. The carrying amounts of the Company's heritage assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

The historic cars have an indefinite life, and therefore, are not depreciated. The Company maintains these vehicles on a regular basis, charging the maintenance costs to the profit and loss account when incurred. The Company may dispose of any cars from the collection subject to management approval, at such time the value would be removed from the balance sheet.

Research and development

Expenditure on research activities, primarily relating to the development of race cars, is recognised in the profit and loss account as an expense as incurred.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1. ACCOUNTING POLICIES (CONTINUED)

Stocks

The company has recognised as stocks, items that will be used in the production of next seasons racing cars. Stocks include raw materials and work in progress and are stated at the lower of cost and net realisable value after due regard for obsolete and slow moving stocks. Manufactured stocks and work in progress include an appropriate share of directly attributable overhead based on normal operating capacity

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

Financial assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

RENAULT SPORT RACING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1. ACCOUNTING POLICIES (CONTINUED)

Turnover

Turnover principally comprises sponsorship income, prize money and other promotional income. Sponsorship receipts and promotional income are credited to the profit and loss account in line with the satisfaction of the relevant performance obligations and significant payment terms of the agreement. Prize money is credited to the profit and loss account in line with the year to which it relates.

Consideration is made when recognising revenue over the customer's control of the goods and services provided.

In certain cases, the company enters into agreements with suppliers whereby goods and services are received in exchange for various sponsorship and marketing activities. In such cases turnover is recorded at the fair value of the goods or services rendered.

The directors do not consider there to be more than one class of business or geographical segment and therefore no further analysis of results by class of business or geographical segment is presented.

Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Timing differences are not provided for differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met;

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

RENAULT SPORT RACING LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

2. OPERATING (LOSS)/PROFIT

	2018 £000	2017 £000
Operating loss is stated after charging:		
Depreciation of tangible fixed assets	5,840	5,217
Amortisation of intangible assets	834	591
Loss on sale of tangible fixed assets	(75)	(199)
Profit on sale of heritage assets	-	263
Rentals under operating leases		
Land and buildings	95	70
Plant and machinery	1,450	725
Motor Vehicles	42	34
(Loss)/gain on foreign exchange	(202)	(1,067)
Auditor's remuneration		
Audit of the financial statements	39	39
Taxation services	-	-
	<u> </u>	<u> </u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Average number of persons employed:

	2018	2017
Engineering	326	301
Production	208	176
Administration	142	129
	<u>676</u>	<u>606</u>

	2018 £000	2017 £000
Staff costs during the year:		
Wages and salaries	43,118	35,649
Social security costs	5,488	3,867
Contributions made to defined contribution plans	592	213
	<u>49,198</u>	<u>39,729</u>

4. DIRECTORS' REMUNERATION

The directors' remuneration for the year was as follows:

	2018 £000	2017 £000
Remuneration	320	316
Company contributions to pension plan	16	21
	<u>336</u>	<u>337</u>

RENAULT SPORT RACING LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

4. DIRECTORS' REMUNERATION (CONTINUED)

The notional cost of Directors not remunerated through Renault Sport Racing has been considered and is not deemed to be significant for the years ended 31 December 2018 or 31 December 2017.

The remuneration of the highest paid Director was £320,000 (2017: £316,000), and company pension contributions of £16,000 (2017: £21,000) were made.

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £000	2017 £000
Other interest receivable	29	18
	<u>29</u>	<u>18</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £000	2017 £000
On intercompany loans	2,220	2,005
	<u>2,220</u>	<u>2,005</u>

Of the above amount £2,220,000 (2017: £2,005,000) was payable to group undertakings.

7. TAXATION

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2018 £000	2017 £000
Analysis of tax charge in the period		
UK current tax on income for the period	(156)	(148)
Adjustment in respect of prior years	(263)	(388)
Total current tax	<u>(419)</u>	<u>(536)</u>
Deferred tax		
Origination/reversal of timing differences	-	-
Tax on loss on ordinary activities	<u>(419)</u>	<u>(536)</u>

RENAULT SPORT RACING LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

7. TAXATION (CONTINUED)

Reconciliation of effective tax rate

	2018	2017
	£000	£000
Profit/(loss) on ordinary activities before tax	(7,826)	569
Tax at 19% (2017: 19.25%) thereon	(1,487)	110
Effects of:		
Adjustments in respect of prior years	(263)	(388)
Expenses not deductible for tax purposes	781	485
Rolled over gains	-	49
Deferred tax not recognised	(1,309)	(2,249)
Effects of group relief	1,083	803
Notional RDEC credit	776	654
Total tax credit for the year	(419)	(536)

Factors affecting future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

8. INTANGIBLE ASSETS

	Software	Total
	£000	£000
Cost		
At 1 January 2018	10,524	10,524
Additions	682	682
Transfers	44	44
Disposals	-	-
At 31 December 2018	11,250	11,250
Accumulated depreciation		
At 1 January 2018	9,316	9,316
Charge for the year	834	834
Disposals	-	-
At 31 December 2018	10,150	10,150
Net book value		
At 31 December 2018	1,100	1,100
At 31 December 2017	1,208	1,208

RENAULT SPORT RACING LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings	Plant and machinery	Furniture and Fittings	Motor vehicles	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2018	33,451	27,479	26,774	473	11,683	99,860
Additions	1,707	750	1,844	45	5,600	9,946
Transfers	798	1,363	1,074	94	(3,373)	(44)
Disposals	-	(53)	-	(3)	(69)	(125)
At 31 December 2018	<u>35,956</u>	<u>29,539</u>	<u>29,692</u>	<u>609</u>	<u>13,841</u>	<u>109,637</u>
Accumulated depreciation						
At 1 January 2018	18,887	15,729	19,074	313	-	54,003
Charge for the year	1,279	1,941	2,554	66	-	5,840
Disposals	-	(42)	-	(1)	-	(43)
At 31 December 2018	<u>20,166</u>	<u>17,628</u>	<u>21,628</u>	<u>378</u>	<u>-</u>	<u>59,800</u>
Net book value						
At 31 December 2018	<u>15,790</u>	<u>11,911</u>	<u>8,064</u>	<u>231</u>	<u>13,841</u>	<u>49,837</u>
At 31 December 2017	<u>14,564</u>	<u>11,750</u>	<u>7,700</u>	<u>160</u>	<u>11,683</u>	<u>45,857</u>

Included in the total for freehold land and buildings is land of £1,220,000 (2017: £1,220,000) which is not depreciated.

The company's plant and machinery assets were professionally re-evaluated at 31st December 2015 using the fair value method. The re-evaluation was carried out independently by T.J. Madden MRICS and M.R. Edmunds BSc MRICS of Wyles Hardy & Co. Ltd. The re-evaluation identified a £5.0 million reduction in value which was treated as an impairment in 2015. On transition to FRS 102 (in 2015) the Company opted to take the 1 January 2014 value as deemed cost.

The directors are not aware of any material change in value to the other classes of assets and therefore the valuations set out above have not been updated.

RENAULT SPORT RACING LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

10. HERITAGE ASSETS

<i>Valuation</i>	Historic Cars £000
At 1 January 2018	3,980
Additions	-
Disposals	-
At 31 December 2018	<u><u>3,980</u></u>

Five-year financial summary of heritage asset transactions

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Additions	-	-	270	215	760
Disposals	-	(140)	(85)	(190)	(380)
Impairment	-	-	-	(5,800)	-
Total	<u><u>-</u></u>	<u><u>(140)</u></u>	<u><u>185</u></u>	<u><u>(5,775)</u></u>	<u><u>380</u></u>

These assets are held on the balance sheet at valuation and are formally re-valued every five years. The assets were valued independently as at 31 December 2015 by T.J. Madden MRICS and M.R. Edmunds BSc MRICS of Wyles Hardy & Co. Ltd. and an impairment of £5,800,000 was identified and recognised in the profit and loss in 2015. F1 racing cars retained at the end of each season were treated as an addition in the year and, accordingly, the initial addition value was reduced from £190,000 to £90,000 in 2016. For the year ended December 2017 and onwards, the Company added the retained F1 cars to the heritage asset pool at nil value.

11. STOCKS

	2018 £000	2017 £000
Raw materials and work in progress	<u><u>8,742</u></u>	<u><u>7,345</u></u>

The difference between the purchase price of stocks and their replacement cost is not material.

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000	2017 £000
Trade debtors	3,855	3,051
Amounts due from group undertakings	3,677	3,046
Value added tax	2,445	2,130
Other debtors	51	120
Prepayments and accrued income	<u><u>23,681</u></u>	<u><u>18,505</u></u>
	<u><u>33,709</u></u>	<u><u>26,852</u></u>

RENAULT SPORT RACING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£000	£000
Trade creditors	8,627	5,788
Amounts owed to group undertakings	8,592	1,263
Corporation tax	1,855	1,309
Withholding tax	987	3,410
Other taxation and social security	3,225	1,798
Accruals and deferred income	12,589	11,311
Loans	109,906	96,291
	<u>145,781</u>	<u>121,170</u>

14. CREDITORS: AMOUNTS FALLING AFTER MORE THAN ONE YEAR

	2018	2017
	£000	£000
Accruals and deferred income	-	-
	<u>-</u>	<u>-</u>

15. INTEREST BEARING LOANS AND BORROWINGS

	2018	2017
	£000	£000
Creditors falling due within less than one year		
Intercompany loan	109,791	96,291
Interest on intercompany loan	115	100
	<u>109,906</u>	<u>96,391</u>

Terms and debt repayment schedule

	Principal borrowed £000	Year of maturity	Principal Outstanding	
			2018 £000	2017 £000
Intercompany loan	109,791	2019	109,791	96,291
			<u>109,791</u>	<u>96,291</u>

RENAULT SPORT RACING LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

16. DEFERRED TAX ASSETS AND LIABILITIES

	2018 £000	2017 £000
Recognised deferred tax:		
Fixed assets	(2,894)	(1,998)
Losses	2,894	1,998
	<u>-</u>	<u>-</u>
Unrecognised deferred tax:		
Fixed assets	-	-
Temporary differences	51	128
Losses	16,528	17,424
IFRS 9	5	5
	<u>16,584</u>	<u>17,557</u>
Net tax assets	<u>16,584</u>	<u>17,557</u>

A deferred tax asset has not been recognised in the financial statements due to its future economic benefit being uncertain.

17. DEFINED CONTRIBUTION PLANS

The Company operates a defined contribution pension plan.

The total expense relating to this plan in the current year was £592,000 (2017: £213,000)

18. CALLED UP SHARE CAPITAL

	2018 No. 000's	2017 No. 000's	2018 £000	2017 £000
Allotted, called-up and fully paid Ordinary A shares	142,512	142,512	142,512	142,512
Allotted, called-up and fully paid Ordinary B shares	15,834	15,834	15,834	15,834
Share premium	-	-	13,256	13,256
	<u>158,346</u>	<u>158,346</u>	<u>171,602</u>	<u>171,602</u>

Included in the note above, there is 151,601,990 ordinary shares allotted for £1 each and 6,744,444 shares allotted for £2.965404 each.

On 17 December 2015, 90,901,990 shares at £1 each were issued in order to capitalise the outstanding liabilities under the intercompany loan.

The holders of A ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The holders of B ordinary shares are entitled to receive dividends as declared from time to time and have no voting rights attached to them.

RENAULT SPORT RACING LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

19. PROFIT AND LOSS ACCOUNT

	2018	2017
	£000	£000
Balance at 1 January	(247,353)	(248,425)
(Loss)/profit for the financial year	(7,407)	1,105
Adjustments on initial application of IFRS 9	-	(33)
	<u>(254,760)</u>	<u>(247,353)</u>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2018	2017
	£000	£000
(Loss)/profit for the year	(7,407)	1,105
Net (decrease)/increase to shareholders' deficit	(7,407)	1,105
Adjustments on initial application of IFRS 9	-	(33)
	<u>(33,597)</u>	<u>(34,669)</u>
Opening shareholders' deficit	(33,597)	(34,669)
	<u>(41,004)</u>	<u>(33,597)</u>

On 17 December 2015, 90,901,990 shares at £1 each were issued in order to capitalise the outstanding liabilities under the intercompany loan. Further intercompany debts were waived, this value (£42,154,000) is shown as capital contribution reserves.

RENAULT SPORT RACING LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

21. FINANCIAL INSTRUMENTS

The Company has taken an exemption from the requirement to prepare a financial instruments note on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements. The amounts owed by group undertakings have not been included within the consolidated financial statements and have been considered below.

Amounts owed by and to group undertakings

The fair value of amounts owed by and to group undertakings are estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Management believe there are no risks arising from these financial instruments on the grounds that intercompany balances are payable on demand and interest is charged to group undertakings. While the intercompany loan is interest bearing, and repayable on a 3 month rolling basis, this is in line with a signed agreement. The Board reviews and agrees policies for managing these risks. There have been no substantive changes in the Company's exposure to financial instrument risks or its objectives, policies and processes for managing and measuring those risks during the periods in this report unless otherwise stated.

	Level	Carrying amount 2018 £000	Fair value 2018 £000	Carrying amount 2017 £000	Fair value 2017 £000
Amounts due from Group undertakings	3	3,677	3,677	3,046	3,046
Total financial assets		3,677	3,677	3,046	3,046
Amounts owed to Group undertakings	3	8,592	8,592	1,263	1,263
Intercompany loan	3	109,906	109,906	96,291	96,291
Total financial liabilities measured at amortised cost		118,498	118,498	97,554	97,554

Fair value hierarchy

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

Level 1 – inputs are quoted prices in active markets.

Level 2 – a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets.

Level 3 – a valuation using unobservable inputs, i.e. a valuation technique.

There were no transfers between levels throughout the periods under review.

RENAULT SPORT RACING LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

22. FINANCIAL COMMITMENTS

Lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Less than one year	1,457	437
Between one and five years	2,567	749
More than five years	-	-
	<u>4,024</u>	<u>1,186</u>

During the year £1,586,954 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £829,311).

23. RELATED PARTIES

	Sales to		Administrative expenses incurred from	
	2018 £000	2017 £000	2018 £000	2017 £000
Entities with control, joint control or significant influence	-	-	2,220	2,005
Key management personnel of the company or its Parent	-	-	-	-
Other related parties	52,045	37,873	18,078	18,229
	<u>52,045</u>	<u>37,873</u>	<u>20,298</u>	<u>20,234</u>

	Receivables outstanding		Creditors outstanding	
	2018 £000	2017 £000	2018 £000	2017 £000
Entities with control, joint control or significant influence	-	-	109,906	96,391
Key management personnel of the company or its Parent	-	-	-	-
Other related parties	3,677	3,046	8,592	1,163
	<u>3,677</u>	<u>3,046</u>	<u>118,498</u>	<u>97,554</u>

RENAULT SPORT RACING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

24. ULTIMATE PARENT COMPANY

The Company is a subsidiary undertaking of Grigny (UK) Limited. The ultimate controlling party is Renault S.A. at Renault 13-15, quai Le Gallo - 92513 Boulogne-Billancourt Cedex, France.

25. ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

Taxation

The Group claims Research and Development Expenditure Credits ("RDEC") in respect of its research and development expenditure. The Group recognises the gross value of the RDEC as a reduction to cost of sales in the year in which the underlying research and development expenditure was incurred based on an estimate of the expected recovery.

26. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

IFRS 15

The Company has applied IFRS 15 from 1 January 2018 which has resulted to changes in accounting policies however has not resulted in an adjustment to the amounts recognised within these financial statements. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

IFRS 9

The Company has adopted IFRS 9 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a change from IAS 39 *Financial Instruments: Recognition and Measurement*.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The nature and effects of the key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below.

RENAULT SPORT RACING LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

26. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

	IAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	IFRS 9 carrying amount at 1 January 2018
£000				
Financial assets				
Amortised cost				
Brought forward: Loans and receivables	3,084	-	(33)	3,051
Remeasurement	(33)	-	-	-
Carried forward: Amortised cost	3,051	-	-	-
	<u>3,051</u>	<u>-</u>	<u>-</u>	<u>3,051</u>
Total amortised cost	<u>3,051</u>	<u>-</u>	<u>-</u>	<u>3,051</u>

The following table summarises the impact, net of tax, of transition to IFRS 9 on retained earnings and other reserves at 1 January 2018.

	Impact of adopting IFRS 9 £000
Retained earnings	
Balance under IAS 39 at 31 December 2017	(247,320)
Recognition of expected credit losses under IFRS 9	(33)
	<u>(247,353)</u>
Balance under IFRS 9 at 1 January 2018	<u>(247,353)</u>