Financial Statements

Force India Formula One Team Limited

For the Year Ended 31 December 2016

Registered number: 02417588

Company Information

Directors	Subrata Roy Sahara Dr Vijay Mallya Sushanto Roy Sandeep Wadhwa Robert Fernley Abhijit Sarkar T V Lakshmi Kanthan Anthony Bunker (appointed 15 May 2017)
Company secretary	Sankaranarayanan Ramamurthy
Registered number	02417588
Registered office	Force India Formula One Team Dadford Road Silverstone Towcester Northamptonshire NN12 8TJ
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House 202 Silbury Boulevard Milton Keynes MK9 1LW
Bankers	Santander UK plc Santander House Grafton Gate East Milton Keynes MK9 1AN
Solicitors	Burges Salmon 6 New Street Square London EC4A 3BF Hamlins Roxburghe House 273-287 Regent Street London W1B 2AD

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Strategic Report
For the Year Ended 31 December 2016

Introduction

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

Business review

The principal activity of the company during the year continued to be the operation of a Formula One team competing in motor racing events throughout the world. This includes the design, development, manufacture and racing of F1 cars.

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

Force India ended its 2016 season with 173 points securing a formidable fourth place in the Constructors' Championship, attaining two podiums in Monaco and Baku, finishing in the top ten, in 18 out of 21 races. This has been the most successful result in the team's history. Not only does this provide a direct increase in revenues received from the commercial rights holders, but also raised, and continues to raise the profile of the Force India team within the Constructors Championship.

A key factor in the achievements of 2016 is the Company's investment of both its infrastructure and personnel. The team has continued to prove its ability to operate efficiently and effectively within its annual budget, ensuring both the reliability of the race cars and its operations. This outstanding trackside result contributed to the team being determined the most cost effective team in respect of performance against expenditure in the Constructors Championship.

The financial results for the company were within the pre-defined parameters set by the shareholders and show a loss after taxation of £11.599M, (2015: £6,809M), an increase in losses of £4.790M on the previous year, the key element of which was an increase of £ 5.7M charged to the accounts due as a result in currency fluctuations to both EUR and USD related suppliers/creditors during the year and balances outstanding at the year-end.

The company's turnover increased from £64.2591M in 2015 to £77.163M in 2016 as a result of higher sponsorship revenue and enhanced terms with existing partners and sponsors. The team believes that it can capitalise on its continued progression securing more financial, and on-track opportunities for the team.

The team has clear ambitions for the 2017 season, continuing on from its successes of 2016 the team has recently announced the introduction of Johnnie Walker, FXTM, Farah and LDNR to the teams commercial portfolio, in addition to its long standing partnerships with Telmex, NEC, Interprotecion, Quaker State, and Hype.

The team continues its longstanding technological partnerships with Mercedes, now in its ninth year, this coupled with the development programs aligned with TMG, our wind tunnel provider, works to solidify the team's aspirations for continued success. Key to continued success is the company's commitment to its investment in both the team's personnel and its facilities. The introduction of the team's new simulator unit has provided the team with a fundamental pathway in the development process, of both the cars and the Drivers, all of which are instrumental in securing further stability and success of the business.

The team remains committed to quality, reliability and productivity, to ultimately improve on its race performance and to attain further podium finishes. With the departure of Nico Hulkenberg at the end of the 2016 season, Force India were delighted to secure Esteban Ocon into its Driver line up for 2017 season, together with Alonso Celis as its test and reserve driver, both drivers are popular within the paddock and are an added asset to the company. Teamed with the long serving and exceptionally talented and experienced Sergio Perez the team feel confident with its 2017 Driver line up.

Strategic Report
For the Year Ended 31 December 2016

Principal risks and uncertainties

Running a Formula One team results in a number of specific risks and uncertainties. Such risks and uncertainties include the fluctuation in revenue caused by the availability of major sponsors and the prize fund for distribution from Formula One Management between the various teams. Coupled with this is the need to produce rule compliant and competitive cars, plus operate the team throughout the season, which requires significant investment. Accordingly this can cause cash flow issues if sufficient revenue is not obtained. This is managed through the active pursuit of all revenue opportunities underpinned by the support of the ultimate parent undertaking.

Financial risk management objectives and policies

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

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

Interest rate risk
The company finances its operations through a mixture of short-term borrowings and inter-company loans. . Interest costs are routinely reviewed and available options assessed in order to manage the risk.

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

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

Other key performance indicators

A key measure of performance for the team is it's overall position in the Constructors' Championship. In 2016, the team set the ambitious target of finishing fourth, a target we managed to achieve following the most successful season in the teams history.

Another Key Performance Indicator monitored by the team is driver points as this determines the teams overall position in the Constructors Championship. In 2016, the team ended the season with 173 points compared to 136 points in 2015.

This report was approved by the board on **11th July 2017** and signed on its behalf.

Dr Vijay Mallya
Director

Directors' Report

For the Year Ended 31 December 2016

The directors present their report and the financial statements of the company for the year ended 31 December 2016.

Results and dividends

The loss for the year, after taxation, amounted to £11,599 thousand (2015 - loss £6,809 thousand).

The directors do not recommend the payment of a dividend (2015: £nil).

Directors

The directors who served during the year were:

Subrata Roy Sahara
Dr Vijay Mallya
Sushanto Roy
A K Ravindranath Nedungadi (resigned 15 May 2017)
Sandeep Wadhwa
Robert Fernley
Abhijit Sarkar
T V Lakshmi Kanthan

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements of the company for each financial year. Under that law the directors have elected to prepare the financial statements of the company in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements of the company 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 of the company, the directors are required to:

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

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

Directors' Report (continued)

For the Year Ended 31 December 2016

Going concern

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

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

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

Future developments

The 2017 F1 technical regulations have been given a major overhaul compared to previous seasons, with a view to increasing the performance of the car significantly. The aerodynamic bodywork regulations have effectively been re-written, the result being that the cars will start the new season in a very immature condition compared to 2016, which was a result of iterations through several years of stable regulations.

This combined with the change to the size of the Tyres means that our traditional method of retaining 50% of the previous season's car and updating the remaining 50% is not possible for 2017. Over 90% of the 2017 car is completely new with very little carry-over from 2016. Given the immaturity of the car at the start of the season, combined with a very high anticipated rate of development, updates to the car will be much bigger and more frequent compared to previous seasons. All this means is that car part production capability will play a significant role in the success, or otherwise, of the 2017 championship.

Optimal performance continues to be a key driving force of the company, both internally and externally, and whilst the 2017 season presents itself with many unknowns with the substantial technical changes, it must be acknowledged that it also represents a significant opportunity.

The directors are exceptionally pleased with the Companies achievements, building from strength to strength year on-year. It continues to work with its suppliers, customers and staff to ensure the future and long-term success of the Team.

Company's policy for payment of creditors

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

Research and development activities

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

Directors' Report (continued)
For the Year Ended 31 December 2016

Employee involvement

The company maintains a policy of regularly providing all employees with information of the company's performance.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes 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 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 with that of other employees.

Matters covered in the strategic report

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

Disclosure of information to auditor

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

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

Post balance sheet events

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

Auditor

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

This report was approved by the board on 11th July 2017 and signed on its behalf.

Dr Vijay Mallya
Director

Grant Thornton

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

We have audited the financial statements of Force India Formula One Team Limited for the year ended 31 December 2016, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Grant Thornton

Independent Auditor's Report to the Members of Force India Formula One Team Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Malcolm A Gomersall (Senior statutory auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

Grant Thornton House
202 Silbury Boulevard
Milton Keynes
MK9 1LW
Date: 13th July 2017

Statement of Comprehensive Income

For the Year Ended 31 December 2016

	Note	2016 £000	As restated 2015 £000
Turnover	4	**77,163**	64,259
Cost of sales		**(64,162)**	(63,960)
Gross profit		**13,001**	299
Administrative expenses		**(44,952)**	(27,656)
Other operating income		**9,622**	8,680
Operating loss	6	**(22,329)**	(18,677)
Interest payable and expenses	9	**(801)**	(465)
Loss before tax		**(23,130)**	(19,142)
Tax on loss	10	**11,531**	12,333
Loss for the year		**(11,599)**	(6,809)
Other comprehensive income for the year			
Total comprehensive income for the year		**(11,599)**	(6,809)

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

Force India Formula One Team Limited
Registered number:02417588

Statement of Financial Position
As at 31 December 2016

	Note		2016 £000		2015 £000
Fixed assets					
Intangible assets	11		**2,016**		2,454
Tangible assets	12		**8,909**		9,246
			10,925		11,700
Current assets					
Stocks	13	**693**		310	
Debtors: amounts falling due within one year	14	**7,262**		6,798	
Cash at bank and in hand	15	**222**		867	
		8,177		7,975	
Creditors: amounts falling due within one year	16	**(54,832)**		(47,482)	
Net current liabilities			**(46,655)**		(39,507)
Total assets less current liabilities			**(35,730)**		(27,807)
Creditors: amounts falling due after more than one year	17		**(573)**		(117)
Net liabilities			**(36,303)**		(27,924)
Capital and reserves					
Called up share capital	21		**80,010**		80,010
Other reserves	20		**159,153**		155,933
Profit and loss account	20		**(275,466)**		(263,867)
			(36,303)		(27,924)

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

11th July 2017

Dr Vijay Mallya
Director

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

Statement of Cash Flows

For the Year Ended 31 December 2016

	2016 £000	2015 £000
Cash flows from operating activities		
Loss for the financial year	**(11,599)**	(6,809)
Adjustments for:		
Amortisation of intangible assets	**532**	624
Depreciation of tangible assets	**1,474**	1,773
Interest paid	**801**	465
Taxation credit	**(11,531)**	(12,333)
(Increase)/decrease in stocks	**(383)**	91
(Increase)/decrease in debtors	**(445)**	900
Increase in creditors	**4,683**	6,312
Corporation tax received	**11,531**	12,333
Net cash generated from operating activities	**(4,937)**	3,356
Cash flows from investing activities		
Purchase of intangible fixed assets	**(94)**	(282)
Purchase of tangible fixed assets	**(1,137)**	(901)
Net cash from investing activities	**(1,231)**	(1,183)
Cash flows from financing activities		
Other new loans	**9,124**	472
Repayment of other loans	**(6,626)**	(3,912)
Repayment of/new finance leases	**606**	(78)
Interest paid	**(801)**	(465)
Capital contributions	**3,220**	2,690
Net cash used in financing activities	**5,523**	(1,293)
Net (decrease)/increase in cash and cash equivalents	**(645)**	880
Cash and cash equivalents at beginning of year	**867**	(13)
Cash and cash equivalents at the end of year	**222**	867
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**222**	867
	222	867

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

Statement of Changes in Equity
For the Year Ended 31 December 2016

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2016	80,010	155,933	(263,867)	(27,924)
Loss for the year	-	-	(11,599)	(11,599)
Total comprehensive income for the year	-	-	(11,599)	(11,599)
Contributions by and distributions to owners				
Capital contributions	-	3,220	-	3,220
Total transactions with owners	-	3,220	-	3,220
At 31 December 2016	80,010	159,153	(275,466)	(36,303)

Statement of Changes in Equity
For the Year Ended 31 December 2015

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2015	80,010	153,243	(257,058)	(23,805)
Loss for the year	-	-	(6,809)	(6,809)
Total comprehensive income for the year	-	-	(6,809)	(6,809)
Contributions by and distributions to owners				
Capital contributions	-	2,690	-	2,690
Total transactions with owners	-	2,690	-	2,690
At 31 December 2015	80,010	155,933	(263,867)	(27,924)

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

Notes to the Financial Statements

For the Year Ended 31 December 2016

1. General information

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

The Company's principal activities are described in the Strategic report and the registered number and registered office can be found on the Company Information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006. Certain items have been reclassified in prior year to be consistent with current year policies with no impact on operating profit.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

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

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

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

2.3 Revenue

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

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

Notes to the Financial Statements

For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.4 Barter transactions

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

2.5 Intangible assets

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

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

2.6 Tangible fixed assets

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

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

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

Depreciation is provided on the following basis:

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.7 Operating leases

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

Notes to the Financial Statements
For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.8 Leasing and hire purchase

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

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

2.9 Stocks

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

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

2.10 Cash and cash equivalents

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

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

2.11 Finance costs

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

2.12 Pensions

Defined contribution pension plan

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

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

Notes to the Financial Statements
For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.13 Financial instruments

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

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

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

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

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

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

2.14 Creditors

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

Notes to the Financial Statements
For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.15 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

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

2.16 Other operating income

Other operating income includes amounts received towards the teams racing, trackside and hospitality costs.

2.17 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

Notes to the Financial Statements
For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.18 Taxation

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

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

2.19 Research and development

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

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

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

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

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

Going concern

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

For further information regarding managements assessment on going concern, refer to note 2.2.

Impairment of non-current assets

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

4. Turnover

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

Turnover includes barter transactions amounting to £1,226k (2015: £1,273k).

5. Other operating income

	2016	2015
	£000	£000
Contribution towards team costs	**9,622**	8,680
	9,622	8,680

6. Operating loss

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

	2016 £000	2015 £000
Research & development charged as an expense	**17,651**	18,080
Depreciation of tangible fixed assets	**1,474**	1,773
Amortisation of intangible assets, including goodwill	**532**	624
Exchange differences	**5,384**	(224)
Other operating lease rentals	**2,191**	2,191
Defined contribution pension cost	**1,648**	1,555

7. Auditor's remuneration

	2016 £000	2015 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	**47**	46
	47	46
Fees payable to the Company's auditor and its associates in respect of:		
Other services relating to taxation	**180**	174
	180	174

Notes to the Financial Statements

For the Year Ended 31 December 2016

8. Employees

Staff costs were as follows:

	2016 £000	2015 £000
Wages and salaries	**20,189**	19,397
Social security costs	**2,365**	2,742
Cost of defined contribution pension scheme	**1,648**	1,555
	24,202	23,694

During the year, no director received any emoluments (2015 -£NIL)

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

	2016 No.	2015 No.
Production	**157**	156
Design	**170**	168
Race team and testing	**36**	37
Admin	**19**	21
	382	382

9. Interest payable and similar charges

	2016 £000	2015 £000
Other loan interest payable	**748**	445
Finance leases and hire purchase contracts	**53**	20
	801	465

10. Taxation

	2016 £000	2015 £000
Corporation tax		
Current tax on profits for the year	**(11,531)**	(12,333)
	(11,531)	(12,333)
Total current tax	**(11,531)**	(12,333)

Notes to the Financial Statements
For the Year Ended 31 December 2016

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20.25% (2015 - 20.25%). The differences are explained below:

	2016 £000	2015 £000
Loss on ordinary activities before tax	**(23,130)**	(19,143)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2015 - 20.25%)	**(4,626)**	(3,876)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**2,012**	35
Capital allowances for year in excess of depreciation	**8**	8
Research and dvelopment taxation is respect of prior period	**(11,531)**	(12,333)
Unrelieved tax losses carried forwards	**2,606**	3,833
Total tax charge for the year	**(11,531)**	(12,333)

Factors that may affect future tax charges

The company has unprovided deferred tax assets of approximately £20.5m (2015: £24.8m) relating to trading losses that are available for carry forward against future trading profits. Given the uncertainty as to the company's ability to utilise these losses, the directors have not recognised any related deferred tax asset.

11. Intangible assets

	Software £000
Cost	
At 1 January 2016	4,447
Additions	94
At 31 December 2016	4,541
Amortisation	
At 1 January 2016	1,993
Charge for the year	532
At 31 December 2016	2,525
Net book value	
At 31 December 2016	2,016
At 31 December 2015	2,454

12. Tangible fixed assets

	Freehold property £000	Plant and machinery £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 January 2016	8,568	19,268	9,880	37,716
Additions	99	982	56	1,137
At 31 December 2016	8,667	20,250	9,936	38,853
Depreciation				
At 1 January 2016	4,981	15,498	7,991	28,470
Charge for the period	181	848	445	1,474
At 31 December 2016	5,162	16,346	8,436	29,944
Net book value				
At 31 December 2016	3,505	3,904	1,500	8,909
At 31 December 2015	3,587	3,770	1,889	9,246

Notes to the Financial Statements
For the Year Ended 31 December 2016

12. Tangible fixed assets (continued)

Included in freehold property is freehold land at the valuation of £2,062k (2015:£2,062k) which is not depreciated.

13. Stocks

	2016 £000	2015 £000
Raw materials and consumables	**693**	310
	693	310

14. Debtors

	2016 £000	2015 £000
Trade debtors	**148**	529
Other debtors	**5,487**	5,096
Prepayments and accrued income	**1,627**	1,173
	7,262	6,798

15. Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	**222**	867
	222	867

Notes to the Financial Statements
For the Year Ended 31 December 2016

16. Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Other loans	**2,988**	472
Trade creditors	**21,890**	15,915
Other taxation and social security	**1,634**	1,374
Obligations under finance lease and hire purchase contracts	**290**	140
Other creditors	**909**	11,907
Accruals and deferred income	**27,121**	17,674
	54,832	47,482

Included within other loans is £2,988,000 (2015: £nil) in respect of amounts due to Bluecam Management Inc. which bears interest at 4% per annum above the US LIBOR six month rate. The balance arose from a payment of $13m which was paid to Bluecam Management Inc. during the year, loaned back to the Company and has been partly repaid during the year.

17. Creditors: Amounts falling due after more than one year

	2016 £000	2015 £000
Net obligations under finance leases and hire purchase contracts	**573**	117
	573	117

18. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2016 £000	2015 £000
Within one year	**357**	156
Between 1-2 years	**333**	127
Between 2-5 years	**634**	-
	1,324	283

Notes to the Financial Statements

For the Year Ended 31 December 2016

19. Financial instruments

	2016 £000	2015 £000
Financial assets		
Financial assets measured at fair value through profit or loss	**222**	867
Financial assets measured at amortised cost	**5,330**	5,625
	5,552	6,492
Financial liabilities		
Financial liabilities measured at amortised cost	**(28,004)**	(29,951)
	(28,004)	(29,951)

Financial assets measured at fair value through profit or loss comprise cash.

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

Financial liabilities measured at amortised cost comprise loans and trade and other payables.

20. Reserves

Other reserves

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

Profit and loss account

Cumulative profit and loss net of distributions to owners.

Notes to the Financial Statements

For the Year Ended 31 December 2016

21. Share capital

	2016 £000	2015 £000
Shares classified as equity		
Allotted, called up and fully paid		
80,010,000 Ordinary shares of £1 each	**80,010**	80,010

22. Pension commitments

The company contributed to defined contribution schemes for the benefit of some employees. The assets of the scheme are administered by trustees in funds independent from those of the company. Contributions paid during the year amounted to £1,647,820 (2015: £1,554,501). At 31 December 2016 £nil (2015: £405,479) remained unpaid and in included in other creditors.

23. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	2015 £000
Not later than 1 year	**2,191**	2,191
Later than 1 year and not later than 5 years	**-**	2,191
	2,191	4,382

24. Related party transactions

During the year, the company received sponsorship income of £3,145,312 (2015: 2,354,942) from United Breweries Limited. The company charged £nil (2015: £15,290) to United Breweries Limited in respect of other management services. At 31 December 2016 £nil (2015: £1,288) was due to the company from United Breweries Limited. At 31 December 2016 the company had deferred income relating to sponsorship from United Breweries Limited for the 2017 season of £671,940 (2015: £607,042).

During the year, the company received sponsorship income of £nil (2015: £1,308,301) from Watson Limited. The company also charged £nil (2014: £nil) to Watson Limited in respect of other management services. At 31 December 2016 £nil (2015: £nil) was due to the company from Watson Limited.

During the year, the company charged £1,196 (2015: £4,775) to Kingfisher Beer Europe Limited in respect of other management services. At 31 December 2016 £nil (2015: £1,354) was due from the company to Kingfisher Beer Europe Limited.

During the year, the company charged £nil (2015: £4,317) to United Breweries Holdings Limited in respect of other management services. At 31 December 2016 £nil (2015: £nil) was due to the company from United Breweries Holdings Limited.

During the year, the company charged £nil (2015: £nil) to United Spirits Limited in respect of other management services. At 31 December 2016 £nil(2015: £nil) was due from the company to United Spirits Limited.

During the year, the company charged £nil (2015: £nil) to Whyte and Mackay plc in respect of other management services. At 31 December 2016 £nil (2015: £60,324) was due to the company from Whyte and Mackay plc.

During the year, the company paid £79,200 (2015: £nil) to Blantyre Management Limited in respect of professional services. At 31 December 2016 £nil (2015: £3,848) was due from the company to Blantyre Management Limited.

During the year, the company paid £1,290 (2015: £nil) to Kedbrook Electricals Limited in respect of factory maintenance. At 31 December 2016 £1,090 (2015: £nil) was due from the company to Kedbrook Electricals Limited.

During the year, the Company received $15,000,000 from Diageo plc related to sponsorship, racing, trackside and hospitality costs, under an agreement negotiated in connection with Dr Vijay Mallya's settlement with Diageo.

Notes to the Financial Statements
For the Year Ended 31 December 2016

25. Related party transactions (continued)

During the year, the company paid and received £1,242,915 (2015: £nil) to/from Sarva Shri Limited and received $900 in respect of sundry income (2015: £nil) from Sarva Shri Limited. At 31 December 2016 £nil (2015: £nil) was due from the company to Sarva Shri Limited.

During the year, the company received £1,700,000 (2015: £nil) from United Wineries of America Inc. At 31 December 2016 £nil (2015: £nil) was due to the company from United Wineries of America Inc.

During the year remuneration of £3,929,451 (2015:£1,987k) was paid to key management personnel.

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

26. Controlling party

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

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