3120645

RED BULL RACING LIMITED

REPORT AND FINANCIAL STATEMENTS

31ST DECEMBER 2012

Directors
Dr H Marko
D Mateschitz
C E J Horner

Secretary
Laytons Secretaries Limited
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London
SE1 2AP

Auditors
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1 More London Place
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Bankers
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Company No 03120645

Directors' report

The directors present their report and financial statements for the year ended 31 December 2012

Results and dividends

The profit for the year after taxation amounted to £700,000 (2011 – profit of £641,000) The directors do not recommend the payment of a dividend

Principal activity and review of the business

The principal activity of the company during the year was the management of a Formula One motor racing team

The directors consider race performance, championship performance and cost base to be the principal Key Performance Indicators to assess progress towards strategic goals

The 2012 season has seen the closest competition for many years, with seven different winners from the first seven races, and a title chase going down to the wire at the last race in Brazil

Whilst the 2012 challenger, RB8 was not dominant in the way the 2011 RB7 performed, the car was developed throughout the campaign and won seven races, two with Mark Webber and five with Sebastian Vettel

After a thrilling season Red Bull Racing succeeded in winning the FIA Constructors' Championship and Sebastian also triumphed in the FIA Drivers' World Championship for the third year in succession – so a historic "triple double" for the Red Bull Racing team

This achievement is testimony to the remarkable team spirit and extraordinary commitment and dedication of all our employees and contractors who have worked so hard throughout the year We would also like to thank our suppliers and partners for their contribution to the results in 2012

The company's turnover during the year under review remained stable at £176,310,000 (2011 – £176,844,000)

Sponsorship partnerships have been developed and extended Partners include Renault, Total, Rauch, Pepe Jeans, Casio, Geox, Singha Beer, and most significantly the Nissan Motor Company, as Infiniti will be the title partner in 2013

The team maintains a robust budgetary control framework to ensure tight management of costs and restricted resources

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Directors' report (continued)

Future developments

During the year, the team has agreed terms with the commercial rights holder for the new Concorde Agreement which will run to 2020, extending the team's commitment to participate and compete in the Formula One World Championship

Principal risks and uncertainties

The company's principal risk is the level of financial contributions toward its racing programme it receives Contributions are dependent upon the underlying performance of the company's racing activities which has been strong in recent years

Financial risk management

As part of the review, the directors have considered the exposure of the company to liquidity risk and foreign exchange risk, in order that an overall assessment can be made of the company's assets, liabilities, its financial position and its results for the year The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied

Liquidity risk

The company is funded through its retained profits and intercompany balances The directors actively consider other sources of funding to ensure that the company has sufficient available funds for its operations

Foreign exchange risk

The company has foreign currency transactions denominated in Euro, USD and other currencies The Board reviews and agrees policies for managing risks arising from the company's operations

Going concern

The financial statements are prepared on a going concern basis as the Directors believe there will be sufficient cash available to meet liabilities as and when they fall due The company's ultimate parent undertaking, Red Bull GmbH, confirmed to the Directors that it has no plans or intentions that would materially affect the ordinary operations of the company within the next 12 months or the carrying value or classification of its assets and liabilities at 31 December 2012 and has no plans or intentions to demand repayment of intercompany loans unless the company has the facilities to repay them

Directors

The directors who served the company during the year were as follows

Dr H Marko
D Mateschitz
C E J Horner

Company No 03120645

Directors' report (continued)

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 company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the Board

C E J Horner
Director

31 January 2013

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 judgments 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

Independent auditors' report

to the members of Red Bull Racing Limited

We have audited the financial statements of Red Bull Racing Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 17 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors Responsibilities 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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the 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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report (continued)

to the members of Red Bull Racing Limited

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Julie Carlyle (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
31 January 2013

Profit and Loss Account

for the year ended 31 December 2012

	Notes	*2012* £000	*2011* £000
Turnover	2	176,310	176,844
Cost of sales		(170,317)	(171,107)
Gross profit		5,993	5,737
Administrative costs		(5,294)	(5,097)
Operating profit	3	699	640
Interest receivable and similar income	6	1	1
Profit on ordinary activities before taxation		700	641
Tax	7	-	-
Profit for the financial year	13	700	641

The profit and loss account has been prepared on the basis that all operations are continuing

Statement of Total Recognised Gains and Losses

for the year ended 31 December 2012

	2012 £000	*2011* £000
Profit for the financial year	700	641
Gain on revaluation of investment property	-	-
Total recognised gains and losses relating to the year	700	641

Balance Sheet

at 31 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Tangible assets	8	8,248	8,591
Current assets			
Debtors	9	14,017	10,134
Cash at bank and in hand		144	200
		14,161	10,334
Creditors amounts falling due within one year	10	(18,132)	(15,057)
Net current liabilities		(3,971)	(4,723)
Total assets less current liabilities		4,277	3,868
Provisions for liabilities	11	-	(291)
Net assets		4,277	3,577
Capital and reserves			
Called up share capital	12	1,000	1,000
Revaluation reserve	13	1,100	1,100
Profit and loss account	13	2,177	1,477
Shareholders' funds	13	4,277	3,577

C E J Horner

Director

31 January 2013

Notes to the financial statements

at 31 December 2012

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

Going concern

The financial statements are prepared on a going concern basis as the Directors believe there will be sufficient cash available to meet liabilities as and when they fall due The company's ultimate parent undertaking, Red Bull GmbH, confirmed to the Directors that it has no plans or intentions that would materially affect the ordinary operations of the company within the next 12 months or the carrying value or classification of its assets and liabilities at 31 December 2012 and has no plans or intentions to demand repayment of intercompany loans unless the company has the facilities to repay them

Statement of cash flows

The company has taken the exemption available under FRS 1 not to prepare a statement of cash flows as it is included in the publicly available group financial statements of its parent

Turnover

Turnover represents sponsorship and promotional income, prize money, bonus payments and contributions towards the race programme received and receivable net of value added tax

Value in kind assets

Value in kind assets are recognised in accordance with the revenue accounting policy Initial revenue recognition is based on managements' judgement that all value in kind, as detailed within the sponsorship agreements, will be fully utilised within the terms of the agreement

The fair value of the respective value in kind is determined as the price the company would have paid for comparable goods and services

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation

Provision for depreciation of tangible fixed assets, other than assets in the course of construction, is made on the straight line basis at rates calculated to write off the cost of the assets, less their estimated residual values, over their expected useful economic lives, which are considered to be

Motor vehicles	–	3 to 4 years
Office and workshop equipment	–	3 to 7 years
Freehold land and buildings	–	20 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Notes to the financial statements

at 31 December 2012

1 Accounting policies (continued)

Investments

Investment properties are stated at their open market value

The carrying values of tangible investment properties are reviewed for revaluation and impairment on a regular basis as deemed appropriate by the Directors as well as when events or changes in circumstances indicate the carrying value may not be recoverable

A surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year

Research and development

Research and development expenditure is charged to the profit and loss account as incurred

Revenue recognition

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

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date Transactions denominated in foreign currencies are converted at the rate of exchange ruling at the date of the transaction All translation differences are taken to the profit and loss account as they arise

Notes to the financial statements

at 31 December 2012

1 Accounting policies (continued)

Operating leases

Payments under operating leases are charged to the profit and loss account on the straight line basis over the term of the lease

Dilapidation provision

Provision for dismantling, removing temporary structures and restoring leasehold properties is recognised at the present value of the estimated future expenditure A corresponding tangible fixed asset of an amount equivalent to the provision is also created This is depreciated over the remaining lease term Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision

2. Turnover

Turnover represents sponsorship and promotional income, prize money, bonus payments and contributions towards the race programme received and receivable net of value added tax

Turnover is attributable to one continuing activity, the management of a Formula One motor racing team

3. Operating profit

	2012	*2011*
	£000	*£000*
This is stated after charging/(crediting)		
Auditors' remuneration – audit of the financial statements	–	–
– non-audit fees relating to taxation services	10	60
– non-audit fees - other	8	8
Depreciation on tangible fixed assets owned	778	990
Profit on disposal of fixed assets	(137)	(9)
Operating lease rentals – land and buildings	164	218
Net loss / (gain) on foreign currency translation	86	(451)
Research and development	3,738	3,378

Audit costs for the current year of 2012 were borne by the parent undertaking

Notes to the financial statements

at 31 December 2012

4 Directors' remuneration

	2012 £000	2011 £000
Aggregate remuneration	804	537

The amounts in respect of the highest paid director are as follows

	2012 £000	2011 £000
Remuneration	804	537

The amounts disclosed above represent the remuneration for the qualifying services of the Directors of the Company

5 Staff costs

	2012 £000	2011 £000
Wages and salaries	6,213	5,099
Social security costs	765	531
	6,978	5,630

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

	2012 No	2011 No
Racing and production	53	50
Administration	2	2
	55	52

6 Interest receivable and similar income

	2012 £000	2011 £000
Bank account interest	1	1

Notes to the financial statements

at 31 December 2012

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2012 £000	2011 £000
Current tax		
UK corporation tax on the profit for the year	-	-
Total current tax (note 7(b))	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Reversal of provision on Industrial Building Allowances	-	-
Total deferred tax (note 7(c))	-	-
Tax on profit on ordinary activities	-	-

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 24 5% (2011 –26 5%) The differences are explained below

	2012 £000	2011 £000
Profit before tax on ordinary activities	700	641
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24 5% (2011 – 26 5%)	171	170
Effects of		
Items not deductible for tax (including impact of R&D enhanced deduction)	(131)	(79)
Depreciation in excess of capital allowances	11	34
Group relief received for nil payment	(51)	(108)
Utilisation of brought forward losses	-	(17)
Current tax for the year (note 7(a))	-	-

Notes to the financial statements

at 31 December 2012

7. Tax (continued)

(c) Deferred tax

Deferred tax assets recognised and not recognised in the financial statements are as follows

		2012		*2011*
		Not		*Not*
	Recognised	*recognised*	*Recognised*	*recognised*
	£000	*£000*	*£000*	*£000*
Depreciation in advance of capital allowances	–	938	–	1,015
Deferred tax asset	–	938	–	1,015

The deferred tax asset has not been recognised as there is insufficient evidence that tax losses will be recoverable in the future

Finance Act 2012 was enacted on 17 July 2012 and introduced a reduction in the headline rate of corporation tax to 24% from 1 April 2012 and to 23% from 1 April 2013 A further reduction in the headline rate to 21% by 1 April 2014 has been announced by the Government The impact of these future rate reductions will be reflected as and when they are substantively enacted We estimate that a reduction in the UK corporation tax rate to 21% would reduce the unrecognised deferred tax asset by £82,000

No provision has been made for deferred tax on gains recognised on revaluing property to its market value Such tax would become payable only if the property were sold without it being possible to claim rollover relief We estimate that the total amount unprovided for is not material At present, it is not envisaged that any tax will become payable in the foreseeable future

Notes to the financial statements

at 31 December 2012

8. Tangible fixed assets

	Leasehold improvements £000	Assets in the course of construction £000	Motor vehicles £000	Office and workshop equipment £000	Freehold land and buildings £000	Total £000
Cost						
At 1 January 2012	5,482	22	824	2,763	13,242	22,333
Additions	–	–	182	322	–	504
Disposals	(5,460)	–	(277)	–	–	(5,737)
Transfers	(22)	(22)	–	44	–	–
At 31 December 2012	–	–	729	3,129	13,242	17,100
Depreciation						
At 1 January 2012	5,281	–	666	2,204	5,591	13,742
Charge for the year	116	–	68	374	220	778
Disposals	(5,391)	–	(277)	–	–	(5,668)
Transfers	(6)	–	–	6	–	–
At 31 December 2012	–	–	457	2,584	5,811	8,852
Net book value						
At 31 December 2012	–	–	272	545	7,431	8,248
At 1 January 2012	201	22	158	559	7,651	8,591

Fixed asset note

The net book value of freehold land and buildings comprises Freehold Investment properties at valuation of £4,500,000 The investment property was valued by a member of The Royal Institution of Chartered Surveyors on the basis of open market value in December 2010 The historical cost of investment properties included at valuation was £3,676,000 (2011 – £3,676,000)

9. Debtors

	2012 £000	2011 £000
Amounts falling due within one year		
Trade debtors	2,217	361
Other debtors	100	93
Prepayments and accrued income	11,700	9,680
	14,017	10,134

Notes to the financial statements

at 31 December 2012

10. Creditors: amounts falling due within one year

	2012	*2011*
	£000	*£000*
Trade creditors	684	630
Amounts owed to group undertakings	622	11,745
Other taxes and social security	223	190
Other creditors	229	25
Accruals and deferred income	16,374	2,467
	18,132	15,057

11 Provisions for liabilities

	Dilapidation provision
	£000
At 1 January 2012	291
Decrease in provision	(291)
At 31 December 2012	-

Provisions for liabilities entirely relate to dilapidation costs

12. Issued share capital

		2012		*2011*
Allotted, called up and fully paid	*No*	*£000*	*No*	*£000*
Ordinary shares of £1 each	1,000,000	1,000	1,000,000	1,000

Notes to the financial statements

at 31 December 2012

13 Reconciliation of shareholders' funds and movements on reserves

	Share capital	*Profit and loss account*	*Revaluation reserve*	*Total share-holders' funds*
	£000	*£000*	*£000*	*£000*
At 1 January 2011	1,000	836	1,100	2,936
Profit for the year	-	641	-	641
At 31 December 2011	1,000	1,477	1,100	3,577
Profit for the year	-	700	-	700
At 31 December 2012	1,000	2,177	1,100	4,277

14 Capital commitments

	2012	*2011*
	£000	*£000*
Contracts placed for future capital expenditure not provided for in the financial statements	101	164

15 Other financial commitments

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2012	*Land and buildings 2011*
	£000	*£000*
Leases expiring		
Less than one year	-	195
Between one and five years	-	-
Over five years	-	-

Notes to the financial statements

at 31 December 2012

16 Related party transactions

The company has taken advantage of the exemption available to companies that are 100% owned and whose parent undertaking's group financial statements are publicly available not to disclose transactions with group companies under provisions of FRS 8 This exemption has been claimed for transactions with companies within the Red Bull Technology Limited group

During the year the company entered into transactions, in the ordinary course of business, with other related parties Transactions entered into and trading balances outstanding at 31 December 2012 are as follows

Name	*Relationship*	*Sponsorship /other income £000*	*Purchase of goods and services £000*	*Sales of goods and services £000*	*Recharged costs £000*	*Amounts owed from/(to) related party £000*
Red Bull GmbH	Parent undertaking					
2012		66,950	–	–	–	–
2011		84,490	–	58	–	–
Scuderia Toro Rosso	Fellow subsidiary					
2012		–	–	695	65	–
2011		–	10	–	1,207	–
Other Related Parties*	Fellow subsidiary					
2012		–	–	904	455	–
2011		1,166	159	14	–	–

* This relates to transactions with Red Bull Company Ltd, Red Bull Australia, Red Bull FZE, Red Bull Asia FZE, Red Bull Japan Co Ltd, Red Bull Espana, Red Bull Media House, Red Bull Hungary, Red Bull France, Red Bull Brazil, Red Bull Italy, Red Bull North America and Red Bull Singapore

17. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Red Bull Technology Limited which prepares group financial statements, copies of which are available from Companies House

In the opinion of the directors, the ultimate parent undertaking and controlling party for which group financial statements are drawn up and of which the company is a member is Red Bull GmbH, a company incorporated in Austria Copies of financial statements can be obtained from Am Brunnen 1, 5330 Fuschl am See, Austria