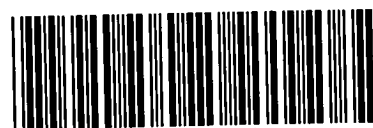


Formula One Management Limited

Strategic Report, Directors' Report and Financial Statements

for the Year Ended 31 December 2016

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Formula One Management Limited

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Formula One Management Limited

Company Information

Directors Mr D Llowarch
Ms S Woodward Hill

Company secretary Mr D Llowarch

Registered office 6 Princes Gate
London
SW7 1QJ

Auditor Ernst & Young LLP
1 More London Place
London
SE1 2AF

Formula One Management Limited

Strategic Report for the Year Ended 31 December 2016

The directors present their Strategic Report, Directors' Report and Financial Statements for the year ended 31 December 2016.

Principal activity

The company's principal activity remains management, administrative and technical services provided in connection with the FIA Formula One World Championship® ("the Championship") and its events.

Review of the business

During the year the company continued to act as business manager for Formula One World Championship Limited ("FOWC"), the commercial rights holder to the Championship and the company's immediate parent (see note 27). Under the terms of the Business Management Agreement ("BMA") with FOWC, the company receives business management fees ("BMA Fees") to cover the operating costs of undertaking the business management services and activities, including the provision of technical support and broadcast services at all the races on the Championship calendar.

The company's key financial and other performance indicators during the year were as follows:

	2016 £m	2015 £m	Change £m	Change %
Business management fees	117.0	108.7	8.3	8%
Other turnover	7.8	4.8	3.0	63%
Turnover (see note 7)	124.8	113.5	11.3	10%
Cost of sales and operating expenses	(124.5)	(112.8)	(11.7)	10%
EBITDA (see note 10)	1.9	2.8	(0.9)	(32%)
Profit before taxation	0.2	0.7	(0.5)	(71%)
Average number of employees	363	356	7	2%
Events on Championship calendar	21	19	2	11%

The 2016 Championship calendar consisted of 21 races (2015-19) including the introduction of a new event in Azerbaijan and the return of the German Grand Prix™, which did not take place in 2015.

During the year turnover rose by £11.3m (10%) to £124.8m (2015-£113.5m) primarily due to BMA Fees received from FOWC being £8.3m (8%) higher than in the prior year at £117.0m. Other miscellaneous income and technical recharges generated £7.8m, £3.0m higher than in 2015.

The company's cost of sales and operating expenses rose by £11.7m (10%) to £124.5m (2015-£112.8m), principally on account of higher technical, freight and travel costs driven by the extra races and the impact of GBP weakness following the UK's European Union referendum vote.

The variances noted saw the company report EBITDA of £1.9m (2015-EBITDA of £2.8m). Having taken account of £1.7m of depreciation charges (2015-£2.0m) the company generated an operating profit before taxation of £0.2m (2015-EBITDA profit of £0.7m).

During the year the average number of employees of the company increased by 7 (2%) to 363, primarily from resource added in the company's technical departments.

The directors consider the performance of the company during the year to be both satisfactory and in line with expectations, and believe the company to be in a sound position at the balance sheet date.

Parent company

On 7 September 2016 it was announced that terms had been agreed by the shareholders of the company's ultimate parent undertaking Delta Topco Limited ("Delta Topco") to sell Delta Topco to Liberty Media Corporation ("Liberty"), subject to Liberty obtaining certain approvals to undertake the transaction. The approvals were subsequently obtained and the transaction was completed on 23 January 2017, with Delta Topco being acquired by a wholly owned subsidiary of Liberty (see note 27).

Formula One Management Limited

Strategic Report for the Year Ended 31 December 2016

Principal risks and uncertainties

The review of risks and uncertainties contains certain forward looking statements. These statements have been made by the directors in good faith based on the information available to them at the time of their approval of this report. They should be treated with caution due to the inherent uncertainties arising, which relate to events, and depend on circumstances, that may or may not occur in the future.

Business risk

With the company's primary business function being to provide services in connection with the Championship, the company's principal risks are closely aligned with those of FOWC, the Championship's commercial rights holder.

As noted in previous years, SLEC Holdings Limited, a fellow subsidiary of the Delta Topco Group ("the Group") (see note 27), entered into an agreement with the Fédération Internationale de l'Automobile ("FIA") on 24 April 2001, as a result of which the Group acquired the FIA's commercial interests in the Championship. Under these arrangements FOWC became the commercial rights holder to the Championship with effect from 1 January 2011 for a period of 100 years ending on 31 December 2110.

As the company entered into a similar BMA with FOWC as had previously existed with the former commercial rights holder, it is continuing to act as business manager of the Championship's commercial rights holder, and receives BMA Fees to cover its ongoing operating costs in performing the BMA activities, including the provision of technical support and broadcast services to the Championship.

Since the expiry on 31 December 2012 of the 2009 Concorde Agreement, which committed all parties to the Championship for the period 2008 to 2012, the Championship continues to operate under the terms of agreements reached with the participating teams and the FIA. FOWC, in its capacity as the commercial rights holder, has entered into separate binding agreements with every team currently participating in the Championship, pursuant to which those teams have committed to continue to participate in the Championship until (and including) 2020.

In July 2013 FOWC and certain other group companies entered into a further agreement with the FIA pursuant to which the FIA committed to enter into a new Concorde Agreement for the period to 2020, on request, and to continue to operate on substantially the same terms as the 2009 Concorde Agreement.

On 23 January 2017, with the completion of the Liberty acquisition confirmed, it was announced that the Group's long-serving Chief Executive Bernie Ecclestone was to stand down. At the same time Liberty confirmed the immediate appointment of a number of new senior executives to join the remaining members of the Group's senior management. Liberty have commented widely on their vision for the business and the opportunities they believe exist for the Group to continue to grow and develop Formula One®, and the directors believe that pursuit of those opportunities, together with the considerable experience of the Group's ongoing management team in sports, media, sales and marketing, digital and in Formula One® itself, and the anticipated availability of Mr Ecclestone to continue to advise the Group, will all help mitigate against the risks the business may face from his standing down.

The directors believe the developments identified above will help the company continue to mitigate the principal risks to which it is exposed, namely its ability to continue to undertake its principal activity as business manager to a commercial rights holder to the Championship which is able to effectively exploit the rights for the term of its agreement with the FIA.

Other risks

Other risks and uncertainties are regularly monitored by the directors and no significant change is expected to this activity during the forthcoming year.

Approved by the Board on 7 March 2017 and signed on its behalf by:



Mr D Llowarch
Director

Formula One Management Limited

Directors' Report for the Year Ended 31 December 2016

The directors present their Report and the Financial Statements for the year ended 31 December 2016.

Results and dividends

The results for the year are shown in the Profit and Loss Account on page 9.

Employment of disabled persons

It is the policy of the company to offer equal opportunities to all persons in employment regardless of disability. This applies to recruitment, training, pay, conditions of employment, allocation of work and promotion.

In the event of an employee becoming disabled, the company is committed, wherever possible, to support the individual to continue their employment or be considered for other open positions within the business.

Employee involvement

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

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

Future developments

The directors consider the developments detailed in the Strategic Report leave the company well positioned to continue to perform satisfactorily in the future.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position and its risk exposures are described above.

The company, its immediate parent FOWC and other fellow subsidiaries of the Group have considerable financial resources, including access to the Group's available revolving credit facilities, together with long-term contracts with a number of customers spread across different geographic areas and industries. As a consequence the directors believe that the company is well placed to manage its business risks successfully, despite ongoing uncertainties in the economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources available to it to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Directors of the company

The directors who held office during the year were as follows:

Mr N Clarry (resigned 23 January 2017)

Mr B Ecclestone (resigned 23 January 2017)

Mrs F Flournoy (resigned 23 January 2017)

Mr T Gallico (resigned 23 January 2017)

Mr D Llowarch

Ms S Woodward Hill

Disclosure of information to the auditor

Each director has taken the necessary steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of, and of which they know the auditor is unaware.

Formula One Management Limited

Directors' Report for the Year Ended 31 December 2016

Reappointment of auditor

The auditor, Ernst & Young LLP, will be reappointed in accordance with section 485 of the Companies Act 2006.

Approved by the Board on 7 March 2017 and signed on its behalf by:



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Mr D Llowarch
Director

Formula One Management Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards ("UK GAAP"), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has 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 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 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 Auditor's Report

We have audited the financial statements of Formula One Management Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards ("UK GAAP"), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

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 6), 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 Strategic Report, Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 UK GAAP, including FRS 101; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

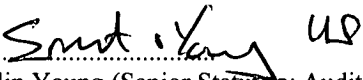
Independent Auditor's Report

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.

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Philip Young (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

1 More London Place
London
SE1 2AF

Date: 10 March 2017

Formula One Management Limited

Profit and Loss Account for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Turnover	7	124,765	113,541
Cost of sales		<u>(74,757)</u>	<u>(65,818)</u>
Gross profit		50,008	47,723
Administrative expenses		<u>(49,779)</u>	<u>(46,966)</u>
Operating profit	8	229	757
Loss on disposal of property, plant and equipment	9	<u>(23)</u>	<u>(83)</u>
Profit on ordinary activities before interest		206	674
Interest receivable and similar income	11	11	7
Interest payable and similar charges	11	<u>(4)</u>	<u>(2)</u>
Profit before tax		213	679
Tax on profit on ordinary activities	15	<u>(721)</u>	<u>(504)</u>
(Loss)/profit for the financial year		<u><u>(508)</u></u>	<u><u>175</u></u>

The above results were derived from continuing operations.

Formula One Management Limited

Statement of Comprehensive Income for the Year Ended 31 December 2016

	2016 £ 000	2015 £ 000
(Loss)/profit for the year	(508)	175
Other comprehensive income, net of tax	-	-
Total comprehensive income for the year	<u>(508)</u>	<u>175</u>

The notes on pages 13 to 27 form an integral part of these financial statements.

Formula One Management Limited

(Registration number: 01545332)
Balance Sheet as at 31 December 2016

	Note	2016 £ 000	2015 £ 000
Fixed assets			
Intangible assets	16	100	140
Tangible fixed assets	17	5,543	6,727
		<u>5,643</u>	<u>6,867</u>
Current assets			
Debtors due within one year	18	15,650	12,241
Debtors due after more than one year	19	3,403	4,605
Cash at bank and in hand	20	6,509	2,106
		<u>25,562</u>	<u>18,952</u>
Creditors: Amounts falling due within one year	21	<u>(27,891)</u>	<u>(21,172)</u>
Net current liabilities		<u>(2,329)</u>	<u>(2,220)</u>
Total assets less current liabilities		3,314	4,647
Provisions for liabilities	22	<u>(289)</u>	<u>(158)</u>
Net assets		<u>3,025</u>	<u>4,489</u>
Capital and reserves			
Called up share capital	23	1	1
Profit and loss account		3,024	3,532
Share-based payment reserve		-	956
Shareholders' funds		<u>3,025</u>	<u>4,489</u>

Approved by the Board on 7 March 2017 and signed on its behalf by:



Mr D Llowarch

Director

Formula One Management Limited

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

	Share capital £ 000	Share-based payment reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2015	1	1,427	3,357	4,785
Total comprehensive income	-	-	175	175
Share based payment transactions	-	(471)	-	(471)
At 31 December 2015	1	956	3,532	4,489
Total comprehensive income	-	-	(508)	(508)
Share based payment transactions	-	(956)	-	(956)
At 31 December 2016	1	-	3,024	3,025

The notes on pages 13 to 27 form an integral part of these financial statements.

Formula One Management Limited

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

1 General information

The company is a private company limited by share capital, and incorporated and domiciled in England and Wales.

The address of its registered office is:

6 Princes Gate
London
SW7 1QJ

These financial statements were authorised for issue by the Board on 7 March 2017.

2 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and under historical cost accounting rules.

The financial information is presented in GBP pounds (£) sterling and all values are rounded to the nearest thousand (£000) except where otherwise indicated.

3 Going concern

The company, its immediate parent FOWC and other fellow subsidiaries of the Delta Topco Group have considerable financial resources together with long-term contracts with a number of customers spread across different geographic areas and industries. As a consequence the directors believe that the company is well placed to manage its business risks successfully despite the ongoing uncertain economic outlook.

4 Disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 118(e) of IAS 38 Intangible Assets;
 - (iii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Formula One Management Limited

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

5 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Turnover recognition

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured, regardless of when the payment is being made. Turnover is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding sales tax.

Interest receivable

Income is recognised as interest accrues using the effective interest rate method; that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded by the company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the profit and loss account. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in the profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or the profit and loss account, are also recognised in other comprehensive income or the profit and loss account, respectively).

Tax

The tax expense for the period comprises current and deferred tax. Tax is charged or credited to the profit and loss account except where it relates to items charged or credited to other comprehensive income or directly to equity, in which case the tax is recognised in other comprehensive income or in equity.

Current tax is the expected tax payable for the year based on the tax rates and laws enacted or substantively enacted at the balance sheet date, plus any adjustments to tax payable in respect of previous periods.

Tax assets and liabilities are offset only where there is a legally enforceable right to set off current tax assets against current tax liabilities, and the taxes relate to the same taxation authority and to the same taxable entity or to different entities which intend to settle the current tax assets and liabilities on a net basis.

Deferred tax is recognised on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts relevant for tax purposes. Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the underlying temporary differences, carried forward tax credits or tax losses can be utilised.

Formula One Management Limited

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

5 Accounting policies (continued)

Deferred tax is not recognised on temporary differences that arise on the initial recognition of goodwill or on the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. Deferred tax is not recognised in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit and loss account in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit and loss account in the expense category consistent with the function of the intangible asset, including cost of sales and administrative expenses.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account when the asset is derecognised.

Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and impairment losses. The carrying value of such assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

The cost of tangible fixed assets includes directly attributable incremental costs incurred in their acquisition and installation. Such cost includes the cost of replacing part of the tangible fixed asset. When significant parts of tangible fixed assets are required to be replaced at intervals, the company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in the profit and loss account as incurred.

A tangible fixed asset and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account when the asset is derecognised.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, over their estimated useful lives as follows:

Asset class	Depreciation method and rate
Long leasehold land and buildings	straight-line over remaining term of the lease
Plant, machinery and vehicles	25% reducing balance basis
Furniture, fittings and equipment	25% reducing balance basis
Aircraft	over 10 years on a straight-line basis

Formula One Management Limited

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

5 Accounting policies (continued)

Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Financial assets

Classification

At initial recognition, financial assets within the scope of IAS 39 are classified as derivative financial assets at fair value through profit or loss, loans and receivables, or held-to-maturity investments. All of the company's financial assets are classified as loans and receivables.

Recognition and measurement

All financial assets are recognised initially at fair value plus transaction costs.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include trade and other debtors, intra-group receivables, intra-group loans and cash and cash equivalents. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. The EIR amortisation is included in interest receivable in the profit and loss account. Any losses arising from impairment are recognised in the profit and loss account in interest payable and similar charges for loans and in cost of sales or other operating expenses for receivables.

Impairment

The company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset, or the group of financial assets, that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest receivable and similar income in the profit and loss account. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit and loss account.

Trade debtors

Trade debtors are amounts due from customers in return for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost less provision for impairment. A provision is established when there is evidence that the company will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of future cash flows discounted at the effective interest rate. The movement in the provision is recognised in the profit and loss account.

Formula One Management Limited

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

5 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Classification

At initial recognition, financial liabilities within the scope of IAS 39 are classified as derivative financial liabilities at fair value through profit or loss or loans and borrowings. All of the company's financial liabilities are classified as loans and borrowings.

Recognition and measurement

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the EIR amortisation process. Loans and borrowings include trade creditors and intra-group payables.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Intra-group transactions

Payables and receivables

Intra-group payables and receivables are recognised at transaction price less any provision for impairment on receivables.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

When the company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Company as a lessee

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the profit and loss account on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2016 have had a material effect on the financial statements.

Formula One Management Limited

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

6 Judgements and key sources of estimation uncertainty

The preparation of historical financial information typically requires management to make judgements, estimates and assumptions that affect the reported amounts of turnover, expenses, assets and liabilities and the disclosures of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

At the statement of financial position date, the key assumptions concerning the future and other key sources of estimation uncertainty that represent a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Taxation

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

7 Turnover

Turnover represents invoiced amounts, stated net of value added tax.

The analysis of the company's turnover for the year from continuing operations is as follows:

	2016 £ 000	2015 £ 000
Business management fees	116,981	108,778
Other	7,784	4,763
	<u>124,765</u>	<u>113,541</u>

The company is exempt from the requirements of IFRS 8 to disclose segmental information.

8 Operating profit

Arrived at after charging:

	2016 £ 000	2015 £ 000
Depreciation expense (see note 17)	1,671	1,985
Amortisation expense (see note 16)	46	48
Foreign exchange losses	265	303
Operating lease expense - property	1,269	1,266
Operating lease expense - plant and machinery	1,403	1,630
Operating lease expense - other	<u>154</u>	<u>147</u>

9 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

	2016 £ 000	2015 £ 000
Loss on disposal of property, plant and equipment	<u>(23)</u>	<u>(83)</u>

Formula One Management Limited

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

10 Reconciliation of non-GAAP measures

The directors' discussion of the company's financial performance in the Strategic Report includes reference to a measure which is intended to assist readers in analysing the underlying performance of the company. The measure is non-GAAP in nature and therefore a reconciliation to the equivalent GAAP measure is provided below.

	2016 £ 000	2015 £ 000
EBITDA pre-exceptional costs		
Operating profit	229	757
Add: amortisation expense	46	48
Add: depreciation expense	1,671	1,985
EBITDA pre-exceptional costs	<u>1,946</u>	<u>2,790</u>

11 Interest payable and receivable

	2016 £ 000	2015 £ 000
Interest receivable and similar income		
Interest income on bank deposits	<u>11</u>	<u>7</u>
Interest payable and similar charges		
Other finance costs	<u>(4)</u>	<u>(2)</u>

12 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2016 £ 000	2015 £ 000
Wages and salaries	27,694	28,296
Social security costs	3,312	3,158
Pension costs, defined contribution scheme	1,597	1,641
	<u>32,603</u>	<u>33,095</u>

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

	2016 No.	2015 No.
Management and administration	114	112
Technical	246	241
Directors	<u>3</u>	<u>3</u>
	<u>363</u>	<u>356</u>

During the year the average number of employees of the company increased by 7 staff (2%) to 363.

Formula One Management Limited

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

13 Directors' remuneration

The directors' remuneration for the year was as follows:

	2016 £ 000	2015 £ 000
Remuneration	<u>5,427</u>	<u>2,991</u>

The above represents remuneration paid on behalf of 3 (2015-2) of the executive directors who served throughout the full year. In 2015 one of the directors served for only part of the year, the emoluments for whom were included for only that portion of the year during which they had served as a director. Remuneration paid to these individuals was for all qualifying services they provided to the Group, with elements of the cost being recharged to other group companies in line with past practice. The other directors who served the company during the year received no emoluments for their qualifying services (2015-£Nil).

In respect of the highest paid director:

	2016 £ 000	2015 £ 000
Remuneration	3,312	1,000
Company contributions to money purchase pension schemes	<u>38</u>	<u>75</u>
	<u>3,350</u>	<u>1,075</u>

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

	2016 No.	2015 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

During the year, the company made contributions of £75k (2015-£150k) to money purchase pensions schemes on behalf of 2 of the directors (2015-2).

14 Auditor's remuneration

	2016 £ 000	2015 £ 000
Audit of the financial statements	<u>42</u>	<u>40</u>
Other fees paid to auditor		
Auditing of accounts of fellow UK subsidiaries of the Delta 2 (Lux) Group	214	224
Tax advisory services	<u>605</u>	<u>228</u>
	<u>819</u>	<u>452</u>

Tax advisory services are predominantly related to advice received on International Tax matters.

The company incurs fees in addition to those in respect of the audit of its financial statements. These fees include non-audit services incurred on behalf of other group companies which are recharged where appropriate.

Formula One Management Limited

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

15 Taxation

Tax charged in the profit and loss account:

	2016 £ 000	2015 £ 000
Current taxation		
Group taxation relief	786	670
Foreign tax	109	-
Total current income tax	895	670
Deferred taxation		
Arising from origination and reversal of temporary differences	(333)	(581)
Arising from changes in tax rates and laws	159	413
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	-	2
Total deferred taxation	(174)	(166)
Tax expense in the profit and loss account	721	504

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (2015-higher than the standard rate of corporation tax in the UK) of 20% (2015-20.25%). The differences are reconciled below:

	2016 £ 000	2015 £ 000
Profit before tax	213	679
Corporation tax at standard rate	42	138
Effect of expense not deductible in determining taxable profit	350	32
Effect of foreign taxes	109	2
Increase from effect of different current and deferred tax rates	61	332
Effect of lower tax rate on opening deferred tax balances	159	-
Total tax charge	721	504

During the prior year the main rate of UK corporation tax reduced from 21% to 20% effective 1 April 2015. Following the UK Budget of 8 July 2015, it was announced that the main rate of UK corporation tax would reduce to 19% effective 1 April 2017 and 18% effective 1 April 2020. This was substantively enacted on 26 October 2015 in Finance No.2 Bill 2015. Subsequently at the Budget held on 16 March 2016 a further reduction to 17% for the main rate of Corporation Tax was announced with effect from 1 April 2020. This was substantively enacted on 15 September 2016 in Finance Bill 2016.

The deferred tax balances in the year have been recognised at 17% (2015-18%), being the rate at which they are expected to unwind.

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000	2016 Net £ 000	Asset £ 000	Liability £ 000	2015 Net £ 000
Accelerated tax depreciation	2,976	-	2,976	2,798	-	2,798
Share-based payment	-	-	-	957	-	957
Accruals	67	-	67	71	-	71
	3,043	-	3,043	3,826	-	3,826

Formula One Management Limited

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

15 Taxation (continued)

Deferred tax movement during the year

	Accelerated tax depreciation £ 000	Accruals £ 000	Share-based payment £ 000	Net tax assets/ (liabilities) £ 000
At 1 January 2015	2,623	80	1,427	4,130
Recognised in income	175	(9)	-	166
Recognised in equity	-	-	(470)	(470)
At 31 December 2015	2,798	71	957	3,826
Recognised in income	178	(4)	-	174
Recognised in equity	-	-	(957)	(957)
At 31 December 2016	2,976	67	-	3,043

16 Intangible assets

	Other intangible assets £ 000
Cost or valuation	
At 1 January 2016	280
Additions	6
At 31 December 2016	286
Amortisation	
At 1 January 2016	140
Amortisation charge	46
At 31 December 2016	186
Carrying amount	
At 31 December 2016	100
At 31 December 2015	140

Intangible assets represent purchased software licences with a term in excess of 12 months.

Formula One Management Limited

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

17 Tangible fixed assets

	Leasehold improvements £ 000	Plant, machinery and vehicles £ 000	Furniture, fittings and equipment £ 000	Aircraft £ 000	Total £ 000
Cost or valuation					
At 1 January 2016	7,644	7,180	2,801	8,927	26,552
Additions	-	348	196	-	544
Disposals	-	(341)	(39)	-	(380)
At 31 December 2016	7,644	7,187	2,958	8,927	26,716
Depreciation					
At 1 January 2016	7,644	2,852	2,183	7,146	19,825
Charge for the year	-	1,192	180	299	1,671
Eliminated on disposal	-	(292)	(31)	-	(323)
At 31 December 2016	7,644	3,752	2,332	7,445	21,173
Carrying amount					
At 31 December 2016	-	3,435	626	1,482	5,543
At 31 December 2015	-	4,328	618	1,781	6,727

18 Debtors due within one year

	Note	2016 £ 000	2015 £ 000
Trade debtors		3,766	755
Provision for impairment of trade debtors		(123)	(115)
Net trade debtors		3,643	640
Amounts due from other Delta Topco Group companies		2,732	3,038
Amounts receivable from related parties	26	122	406
Accrued income		3,003	3,715
Prepayments		1,798	1,149
Other debtors		881	805
Other tax recoverable		3,471	2,488
Total debtors due within one year		15,650	12,241

Amounts due from other Delta Topco Group companies are trading balances on which no interest is charged.

Formula One Management Limited

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

19 Debtors due after more than one year

	Note	2016 £ 000	2015 £ 000
Prepayments		360	779
Deferred tax assets	15	<u>3,043</u>	<u>3,826</u>
Total debtors due after more than one year		<u>3,403</u>	<u>4,605</u>

£0.4m (2015-£0.8m) of prepayments are classified as non-current. These relate to pre-paid commissions to be recognised in the profit and loss account in the years 2018 to 2020.

£3.0m (2015-£3.8m) of deferred tax assets are classified as non-current.

20 Cash and cash equivalents

	2016 £ 000	2015 £ 000
Cash at bank and in hand	<u>6,509</u>	<u>2,106</u>

21 Creditors: Amounts falling due within one year

	Note	2016 £ 000	2015 £ 000
Trade creditors		1,792	2,229
Accrued expenses		14,466	15,120
Amounts due to other Delta Topco Group companies		1,587	1,882
Amounts due to related parties	26	241	-
Social security and other taxes		2,039	1,755
Other creditors		4,923	139
Deferred income		<u>2,843</u>	<u>47</u>
		<u>27,891</u>	<u>21,172</u>

Amounts due to other Delta Topco Group companies are trading balances on which no interest is charged.

22 Provisions for liabilities

	Other provisions £ 000
At 1 January 2016	158
Arising during the year	<u>131</u>
At 31 December 2016	<u>289</u>
Current liabilities	<u>289</u>

A provision is made each year to reflect unused holidays which have accrued at the end of the reporting period. Management encourages employees to use any carry-forward holiday in the following calendar year.

Formula One Management Limited

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

23 Share capital

Allotted, called up and fully paid shares

	No.	2016 £	No.	2015 £
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

24 Obligations under leases and hire purchase contracts

Operating leases

The company has entered into various commercial leases for the use of technical, IT and TV production equipment, a commercial vehicle fleet and office premises. These leases have an average life of between three and five years. There are no restrictions placed upon the company by entering into these leases.

The total future value of minimum lease payments is as follows:

	2016 £ 000	2015 £ 000
Within one year	2,229	2,073
In two to five years	5,698	4,971
In over five years	<u>442</u>	<u>978</u>
	<u>8,369</u>	<u>8,022</u>

25 Capital commitments

Capital commitments are amounts contracted for, but not provided for in these financial statements, in relation to items of property, plant and equipment. The total amount contracted for but not provided in the financial statements was £181,764 (2015-£106,194).

26 Related party transactions

The company has taken advantage of the exemption under FRS 101 not to disclose transactions with wholly-owned subsidiaries of the Delta Topco Group.

Summary of transactions with other related parties

Other related parties include:

- Companies controlled by Mr B Ecclestone, who served as group CEO and director until 23 January 2017
- Companies controlled by close family members of Mr B Ecclestone
- Close family members of Mr B Ecclestone
- Companies related to funds managed and/or advised by CVC Capital Partners SICAV - FIS S.A., its subsidiaries or affiliates (see note 27).

Transactions with other related parties include travel sales, recharged expenses, rent charges, insurance and other property charges and monitoring fees, which are conducted on the same rates and terms as existing similar transactions with third parties.

Outstanding balances at the year-end are unsecured and interest-free and settlement occurs in cash. All outstanding balances with other related parties were cleared subsequent to the balance sheet date. There have been no guarantees provided or received for any related party receivables or payables.

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

26 Related party transactions (continued)

Income and receivables from related parties

	Key management £ 000	Other related parties £ 000
2016		
Expenses recharged	37	96
Amounts receivable from related parties as at 31 December	46	76
	Key management £ 000	Other related parties £ 000
2015		
Expenses recharged	118	360
Amounts receivable from related parties as at 31 December	139	267

Expenditure with and payables to related parties

	Key management £ 000	Other related parties £ 000
2016		
Monitoring fee	-	1,000
Expenses recharged	-	10
Rent charged	-	1,049
Insurance and other property charges	-	14
Total expenditure with related parties	-	2,073
Amounts due to related parties as at 31 December	-	241
	Key management £ 000	Other related parties £ 000
2015		
Monitoring fee	-	1,000
Rent charged	-	1,049
Insurance and other property charges	-	228
Total expenditure with related parties	-	2,277
Amounts due to related parties as at 31 December	-	-

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

27 Parent and ultimate parent undertaking

The company's immediate parent undertaking is Formula One World Championship Limited, a company incorporated in England and Wales.

As at the balance sheet date the company's intermediate parent undertaking, which prepares group financial statements including the company, is Delta 2 (Lux) S.à r.l., a company incorporated in Luxembourg, for which financial statements are available from its registered office, 19 rue de Bitbourg, Luxembourg L-1273.

As at the balance sheet date Delta 2 (Lux) S.à r.l. is the parent undertaking of the smallest and largest group for which publicly available group financial statements are prepared which include the results of the company.

Delta 2 (Lux) S.à r.l. is owned by a wholly-owned subsidiary of Delta Topco Limited, a company incorporated in Jersey, and for which financial statements are not publicly available.

Prior to 23 January 2017 Delta Topco Limited was majority controlled by funds managed and/or advised by CVC Capital Partners SICAV - FIS S.A., its subsidiaries or affiliates. On 23 January 2017 100% of Delta Topco Limited was acquired by a wholly owned subsidiary of Liberty Media Corporation, a Nasdaq listed company incorporated in the United States of America for which financial statements are publically available.

In the opinion of the directors, the ultimate parent undertaking of the company is Liberty Media Corporation.

28 Non adjusting events after the financial period

Subsequent to the completion of the acquisition of Delta Topco Limited by Liberty, and changes made to the group's executive management in January 2017, the company has initiated plans to relocate its head office in order to facilitate the implementation of the new management team's strategic and operational plans, which allow for a substantial increase in the company's headcount. As a result on 24 February 2017 the company signed a lease agreement for a new head office which requires fit out and is expected to be available for occupation later in 2017. The lease has a term of 15 years with a tenant only break option after 10 years.