

# Formula One Management Limited

Strategic Report, Directors' Report and Financial Statements

for the Year Ended 31 December 2022

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## **Formula One Management Limited**

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## **Formula One Management Limited**

### **Glossary of abbreviated terms**

The following abbreviated terms are used in the Strategic Report, Directors' Report and the Financial Statements:

#### **(i) Abbreviations of the names of parent and subsidiary entities**

"Delta Topco"	Delta Topco Limited (parent company of Formula 1)
"Formula 1" or "Group"	Delta Topco and its subsidiaries
"FOWC"	Formula One World Championship Limited (a Formula 1 subsidiary)
"Liberty"	Liberty Media Corporation (the ultimate parent undertaking of Formula 1)
"SLEC"	SLEC Holdings Limited (a Formula 1 subsidiary)

#### **(ii) Other abbreviations used**

"the Championship"	FIA Formula One World Championship®
"CRH"	Commercial Rights Holder
"EU"	European Union
"FIA"	Fédération Internationale de l'Automobile
"FRS 101"	Financial Reporting Standard 101 'Reduced Disclosure Framework'
"GAAP"	Generally Accepted Accounting Principles
"GP"	Grand Prix™
"IAS"	International Accounting Standard
"IFRS"	International Financial Reporting Standard
"RCF"	Revolving Credit Facility

## **Formula One Management Limited**

### **Company Information**

<b>Directors</b>	Mr S Domenicali Mr D Llowarch Ms S Woodward Hill
<b>Registered office</b>	No. 2 St. James's Market London SW1Y 4AH
<b>Auditor</b>	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL

## Formula One Management Limited

### Strategic Report for the Year Ended 31 December 2022

The directors present their Strategic Report, Directors' Report and Financial Statements for the year ended 31 December 2022, with abbreviations used defined in the Glossary of abbreviated terms (see page 1).

#### Principal activity

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

Under agreements that were updated to take effect from the start of 2022, the company continued to provide services to FOWC, the Commercial Rights Holder ("CRH") to the Championship and the company's immediate parent (see note 28), as well as to several other Formula 1 companies. The company receives management fees in respect of its services and activities, which include the provision of technical support and broadcast services at all the races on the Championship calendar, and, as it is the employer of the Group's UK staff, it also recharges personnel costs incurred on behalf of other Group companies.

#### Parent company

On 23 January 2017 the company's then ultimate parent undertaking Delta Topco Limited ("Delta Topco") was acquired by Liberty Media Corporation ("Liberty"). Delta Topco and its subsidiaries are collectively referred to herein as "Formula 1" or the "Group".

#### Review of the business

The company's key trading performance indicators during the year are shown below:

	2022 £m	2021 £m	Change £m	Change %
Intra-group services fees and recharges	338.3	223.1	115.2	52%
Other turnover	12.4	11.7	0.7	6%
Turnover (see note 7)	350.7	234.8	115.8	49%
Cost of sales and operating expenses	(332.0)	(223.1)	(108.9)	49%
EBITDA (see note 10)	25.8	18.4	7.4	40%
Profit before taxation	17.2	10.6	6.6	62%
Average number of employees	552	526	26	5%
Events on Championship calendar	22	22	-	-%

The 2022 Championship consisted of 22 events (2021-22 events), including 12 events outside Europe (2021-9 events). Whereas in 2021 continued limitations on crowds restricted the scope of activities in the first half of the year and affected which events could take place as the global coronavirus pandemic continued, no material restrictions applied at any of 2022's events, with record attendances at some events and crowd numbers across the season well above pre-COVID-19 levels. Prevailing conditions allowed the company to operate at full scope throughout the year and also supported the return of events in Australia, Canada, Singapore and Japan as the pandemic and its effects continued to ease.

During the year turnover increased by £115.8m (49%) to £350.7m (2021-£234.8m), largely generated from an increase in revenues generated from the provision of technical and other services to FOWC and other fellow Group companies.

Intra-group fees for technical and other services were reported £115.2m (52%) higher in 2022 at £338.3m, (2021-£223.1m) as the Group's scope of activities was unhindered through the year, unlike in 2021 where, as noted, ongoing effects of the pandemic restricted activities in the first half of the year and impacted the events that were able to take place. Other miscellaneous revenue generated £12.4m, £0.7m (6%) higher than the prior year (2021-£11.7m).

## **Formula One Management Limited**

### **Strategic Report for the Year Ended 31 December 2022**

With a significant increase in the scope of activities the company reported an increase in its cost of sales and operating expenses, which were reported £108.9m (49%) higher than in 2021 at a combined £332.0m (2021-£223.1m).

Cost of sales include costs incurred in respect of freight, travel and other logistical activities, television production and post-production services, and other race and Championship related technical support. These costs were significantly higher in 2022 at £195.7m (2021-£115.3m), driven by a combination of significant inflation in freight, travel and other logistical costs driven by factors such as a lack of available market capacity, higher supplier prices to recover losses resulting from the pandemic, and costs related to servicing three additional races outside Europe, together with increased costs resulting from continued development of technical capabilities and the impact of a complete year of full scope "at track" activities, some of which were restricted in the first half of 2021.

Administrative expenses were reported £28.5m (26.4%) higher at £136.3m (2021-£107.8m). Cost increases were driven by higher personnel costs as the company increased headcount and incurred certain costs, which had been charged to other Group companies in prior years, and by higher legal and professional fee costs, which included certain one-off legal settlement and IT project consultancy costs.

These factors led to an increase in EBITDA for the year (see note 10) of £7.4m (40%) to £25.8m, (2021 £18.4m).

The company's average number of employees increased by 26 (5%) to 552 (2021-526). The company continues to employ Formula 1's UK based staff, charging elements of the costs of those UK staff who perform work for other Group subsidiaries to those companies under the terms of the relevant services' agreement.

The directors consider the performance of the company during the year to be strong and in line with expectations that financial performance would recover as the impact of COVID-19 eased and normal operations resumed.

#### **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 CRH.

In 2001 SLEC, a fellow Group company, entered into and funded a series of agreements, the counterparties to which were itself, other Group companies and the Fédération Internationale de l'Automobile ("FIA"), and under which the FIA continues to provide regulatory services and one of the Group companies, FOWC, became the CRH to the Championship for a period of 100 years commencing from 1 January 2011.

Under an agreement with FOWC the company continues to provide services to the CRH and receives fees in respect of its activities, which include the provision of technical support and broadcast services to the Championship.

In August 2020, FOWC, SLEC, the FIA and the teams entered into the 2021 Concorde Agreement, securing the commitment of the teams to continue participating in the Championship from 1 January 2021 until 31 December 2025, and governing the relationship between the parties during that period. The 2021 Concorde Agreement is made up of two separate documents: (a) the 2021 Concorde Commercial Agreement between FOWC, SLEC and each of the teams; and (b) the 2021 Concorde Governance Agreement between FOWC, SLEC, the FIA and each of the teams. The 2021 Concorde Agreement provides, among other things, for the participation of the teams in the Championship during the term of the agreement, and also sets out the terms under which Formula 1 makes prize fund payments to the teams.

## Formula One Management Limited

### Strategic Report for the Year Ended 31 December 2022

#### *Brexit*

Fundamentally, Formula 1 is a global business with a diverse portfolio of contracts, customers and activities, relatively few of which have been affected by the terms and consequences of the UK's exit from the EU ("Brexit"). However, as Formula 1 operates its business principally through UK-based subsidiaries and a number of the Championship's events take place within the borders of the EU, Brexit and the terms of the EU-UK Trade and Cooperation Agreement ("Trade Deal") may have some degree of future operational impact on the Group. The Group therefore continues to monitor any effects from the Trade Deal on its operations, and to identify appropriate mitigating actions to prevent significant disruption to the Championship, its European events and other aspects of the Group's operations that could be affected. To date the Group has not seen any significant operational challenges relating to the movement of equipment and personnel to and from European races, having identified ways to mitigate their impact, and additional costs have been limited, but it will continue to monitor the effects of Brexit as time moves on and any further challenges arise.

Given the limited impact to date, the directors do not consider the risks to be significant and expect them to continue to be mitigated in due course, so therefore continue to believe Brexit will not have a material effect on the business.

#### *Ukraine/Russia*

Following Russia's invasion of Ukraine, it was announced that the Russian Grand Prix would not take place in 2022 and subsequently the Group terminated its contracts with the event's promoter and counterparties to other Russian-related rights' agreements. Barring the lost revenues under those terminated contracts, the war has had some effect on global logistics, contributing in part to significant inflation in freight costs, but otherwise it has had no material effect on the financial performance of the Group.

Whilst, based on current circumstances, the directors do not expect the ongoing conflict to have a significant impact on the Group's or the company's results in 2023, or beyond, management will continue to monitor developments and react as necessary to any potential risks it could face, which could include rising costs, logistical challenges, and wider political and economic factors which could adversely impact the Group's and company's revenues.

#### *COVID-19*

Following the challenges created by the global coronavirus pandemic in 2020 and 2021, as discussed in this report the company suffered no significant effects from COVID-19 in 2022, rebounding with strong financial performance supported by a full scope of operations all year round and the return to the calendar of all but one of the races that had been prevented from taking place during the earlier years of the pandemic. Whilst it has still not yet been possible to include the Chinese GP on either the 2022 or 2023 Championship calendars, the recent decision of the Chinese government to remove its remaining COVID-19 restrictions will hopefully allow a return of that event in future.

It is possible that new variants of COVID-19 could provide further operational challenges in future, but the directors believe the Group's experience of successfully finding solutions to stage Championships consisting of a significant number of events, and mitigating other operational risks arising during the pandemic would position it well to once again navigate the business through such challenges. In such circumstances, the Group is confident that it has a pool of possible alternative race locations available to it, and a good understanding of the necessary procedures to allow it to successfully deliver a significant calendar of races whilst remaining flexible in meeting any requirements and dealing with any operational restrictions that would be faced.

Whilst it is the directors' current expectation that, consistent with the experience in 2022, COVID-19 is unlikely to impact the staging of the 2023 Championship and its events, nor prevent the Group from undertaking a full scope of activities across the year, the Group will continue to monitor any developments and risks to its activities that arise from COVID-19. Should it become necessary, as before, the Group will liaise closely with its employees, the FIA, the teams, race promoters, government authorities in race jurisdictions, commercial partners and other stakeholders, considering any applicable travel and public health restrictions as well as health and safety, travel and other advice and guidance issued by the UK Government, and other national and civil governments, and will take necessary decisions with those other stakeholders to adjust plans and operating protocols, as required, to address risks as they arise.

The directors consider that the developments and factors discussed above should allow the company to mitigate its principal business risks for the foreseeable future and at least the next 12 months.

## Formula One Management Limited

### Strategic Report for the Year Ended 31 December 2022

#### *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.

#### **Statement by the directors in performance of their statutory duties in accordance with section 172(1) of the Companies Act 2006**

The company's directors consider, both individually and together, that they have acted in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its sole shareholder, FOWC (see note 28). They have also considered the company's other stakeholders and matters set out in section 172(1)(a) to (f) of the Companies Act 2006 in the decisions taken during the financial year ended 31 December 2022.

#### *Long term strategy and decision making*

The directors of the company recognise the importance of taking decisions for the long term and analysing the likely consequence of each key decision. In taking decisions the directors seek to apply and maintain the highest standards of business conduct, and given the company has a single shareholder, the directors are not at risk of acting unfairly between its members when making them.

As noted, the company is part of the Group and with all companies within the Group wholly owned, long term strategy is determined at the Group level with decisions and activities then delegated to its individual companies. Whilst the main objectives of the company and certain strategic decisions will be set/taken at a Group level, consideration does still need to be given to the individual interests of the company. Given that, in addition to being directors of the company, Mr Domenicali, Mr Llowarch and Ms Woodward Hill are also the Group's executive management team in their roles as, respectively, the Group's President & Chief Executive Officer, Chief Financial Officer, and Chief Legal Officer & Chief Administrative Officer, they are able to consider any decisions to be taken both in the context of the interests of the wider Group and its detailed strategy, and in the interests of the company.

The Group's strategy sets out to deliver long-term value to its ultimate owner Liberty and other stakeholders (including the company), through the principal goal of broadening and increasing the global scale and appeal of the Championship. Formula 1 aims to drive the overall value of the Championship and the Group's financial performance by:

- continuing to seek and identify opportunities to expand and develop the Championship calendar, bringing Events to attractive and/or strategically important new markets outside of Europe while continuing to build on the sport's European foundations;
- developing sponsorship revenue, through growing the Formula 1 Global Partner programme and exploring opportunities in currently underexploited product categories, together with increasing revenues from other Event-based packages;
- capturing opportunities created by media's evolution, including the growth of social media, further expansion of the F1TV product and the development of Formula 1's other digital media assets;
- engaging with new fans on a global basis and building up the entertainment experience for fans, so further driving race attendance and television viewership;
- continuing to support measures to improve the on-track competitive balance of the Championship and the long term financial stability of the participating teams; and
- improving the environmental sustainability of F1 and its related activities, continuing to target a net zero carbon footprint by 2030, 100% sustainable fuel by 2026 and sustainable race events by 2025, whilst also building on initiatives to fight inequality and improve the diversity and opportunity in F1 at all levels.



## Formula One Management Limited

### Strategic Report for the Year Ended 31 December 2022

#### *Maintaining a reputation for high standards of business conduct*

The Group seeks to maintain its high business standards, ensuring that wherever its subsidiaries are operating in the world including higher risk territories, their business is conducted with integrity, and in compliance with the law and the Formula 1 Code of Conduct. The Code, which includes the Group's anti-bribery and corruption policy, continues to be adopted by each Formula 1 subsidiary, including the company, and applies to every officer and employee of the Group.

In addition to the requirements of its subsidiaries, officers and employees, the Group also expects third parties who perform services for Formula 1 to apply or adopt internal policies that are consistent with this Code. In that regard the Group's compliance team conduct KYC checks and other due diligence work on any potential partners the company considers doing business with.

As the subsidiary of a US public company, Liberty, the company and the wider Group are also required to comply with additional requirements, including the Foreign Account Tax Compliance Act (FATCA) and certain aspects of the 2002 Sarbanes-Oxley Act ("SOX"). SOX requires the Group to establish and maintain robust internal control structures and procedures for financial reporting, to report on their effectiveness, and have that effectiveness tested and assessed annually by its external auditors. The conclusions of the work on SOX for the 2022 year are that the Group continues to operate a robust and effective control environment.

#### *Engagement with key stakeholders*

In addition to the company's parent and other fellow subsidiary companies of Formula 1, the directors consider the company's key stakeholders to be its employees; the FIA and F1's competing Teams; the Championship's race promoters and broadcasters; other key suppliers; Liberty; and the Group's external lenders.

The company continues to prioritise its development of staff and ongoing engagement with all colleagues. This includes offering everyone the opportunity to progress in their career through relevant training, development plans and continued assessment and feedback on their progression and targets and remuneration based on the performance of individuals and the wider company. Alongside this, in 2022 we introduced a mission statement for the business to ensure clarity on the key issues we want to see everyone focus on over the coming years in order to provide a clearer indication of the strategic priorities and objectives for the whole business.

We continue to regularly engage with all colleagues both through structured weekly communications to the whole business on the key issues, news and information regarding staff benefits and support as well as ad hoc and timely information provided as and when required to keep colleagues informed of real-time developments. We also continue to engage with all our colleagues through face-to-face conversations, one-to-ones, team / cross-team meetings with town halls and debriefs from senior management and the Chief Executive Officer.

We have continued to make progress on our Environmental, Social and Governance ("ESG") strategy to ensure we reach our target to be Net Zero Carbon by 2030 and continue to progress with our work to make our business more diverse and inclusive. We continue to make progress in these important areas with a number of important initiatives both within our own business and more broadly across the sport. These initiatives include, but are not exclusive to our scholarship, internship and apprenticeship programmes as well as our foundation academy and our community outreach programme.

Building upon the success of the 2021 Championship and the huge increase in popularity that the dramatic season garnered, the 2022 communications strategy was designed to maintain momentum and interest in F1. This was focused around using the reach of Formula 1, the teams and drivers to maximise the news appeal of the sport and become a regular fixture in the news streams of non-fans in key markets - with a major focus on the USA, further enhanced by the announcement of the Las Vegas Grand Prix, which will join the Championship calendar in 2023, and also in race markets during the season. While there was continued work around consistent and positive communications within the motorsport and consumer media, there was a significant focus on F1's sustainability aims to reach Net Zero Carbon by 2030, including the introduction of 100% sustainable fuels in 2026, and telling this story externally to fans, media and stakeholders but also at an internal level.

## Formula One Management Limited

### Strategic Report for the Year Ended 31 December 2022

The directors, together with the Group's other senior management, ensure continued close collaboration with the FIA and the Formula 1 Teams. This collaboration includes regular meetings of the F1 Commission; other technical, sporting, commercial and financial consultation meetings between Formula 1, the FIA and each of the F1 Teams (both individually and together); and frequent ad hoc meetings between the Group's executive leadership and other senior members of the FIA and the Teams. One of the key storylines for the sport this year was the introduction of significantly revised technical regulations, which were introduced in 2022 with the aim to improve the competition on track and are complemented by the off-track introduction of the cost cap designed to bring the field closer together. Reaction from drivers, fans, media, and other key stakeholders has been wholly positive, with further anticipation about how it could potentially impact the order of the grid over the coming years. Another matter concluded on by the Group this year was the introduction of a further three Sprint events on the 2023 calendar, bringing the total to six. This follows another successful trio of Sprints throughout 2022, with the format bringing three days of competitive racing, and therefore increasing value, to key stakeholders such as fans, broadcasters, partners and select promoters.

The company and the Group maintain regular ongoing engagement throughout the year with the various key stakeholders including broadcasters, partners, and promoters to work together and further build out the Championship's global presence, as well as discussions with prospective new collaborators in these fields. In addition to the detailed and regular liaison with all individual stakeholders to address issues and challenges arising throughout the season, the Group undertakes various engagement activities during the year including an annual general meeting at the start of the year, marketing, and commercial workshops to discuss its strategy, operational plans, branding and event related collaboration opportunities with the stakeholders.

The company's senior management and the company's procurement department engage with the company's other key suppliers via regular calls and meetings, site visits and, occasionally, face to face meetings at Championship events in order to maintain strong and lasting relationships. Topics that are addressed include ethical and sustainable procurement, access to sites at race weekends and the timely communication of new projects, which continue to improve the Group's supplier engagement model. The company has a new and updated procurement policy, and Supplier Code of Conduct and follows processes for engaging with suppliers, which include the negotiation of clear terms and conditions in line with the Group's required standards, and statements of work which set out deliverables, service levels and targets against which supplier performance can be measured. The company's delegated authorities are set such that material contracts can only be executed by the company's directors, and therefore all such arrangements are assessed against strategic aims before execution. A new Procurement system, Medius, was implemented in 2022 to allow for more structured supplier and related contract management, and the electronic issuing of tenders and quote requests to streamline processes and increase efficiency. Close management of all key suppliers continued throughout the year, with regular reviews and feedback sessions.

The directors, together with the Group's other senior management, regularly discuss material strategic and operational matters with senior Liberty executives, some of whom sit on the boards of certain Group companies, including Delta Topco Limited, and this process continued throughout 2022. As a US listed company, Liberty has significant public reporting obligations, and given Formula 1 is a material subsidiary, the Group is required to fulfil significant reporting requirements to Liberty on a quarterly and annual basis. These include the requirement for the Group to be compliant with, and report to it on, certain SOX requirements as discussed above. The Group also continues to assist Liberty with investor relations activities, contributing to Liberty's quarterly earnings calls and annual investor day.

There are a number of trading relationships between the subsidiary companies of Formula 1, including sub-licensing arrangements, the provision of intra-group services, various intra-group loans and other trading balances. Formula 1's subsidiaries work together to pursue and deliver the Group's strategy and targets and ensure that any intra-group arrangements are in the interests of both parties. This often requires day to day management co-operation and operational liaison to ensure the terms of any trading arrangements and the terms of any agreements relating to intra-group loans and trading balances are followed and that any required support is provided. These activities continued as per normal during 2022.

The company, together with several other Group companies, is party to and guarantees the Group's external borrowing arrangements. The Group provides quarterly management reports and compliance certificates to external lenders, holds periodic update calls and liaises on a regular basis with the agents who oversee the facilities on behalf of lenders. The Group also meets on a regular basis with the rating agencies to update them on its progress and expectations for the future.

## Formula One Management Limited

### Strategic Report for the Year Ended 31 December 2022

#### *Other stakeholder considerations*

The directors recognise the importance of certain other stakeholders in the success of both the company and the Group as a whole, including the Championship's fans and other key commercial partners, including its sponsors. The Group's wider engagement with such stakeholders is discussed in the financial statements of the Group companies primarily responsible for overseeing the relevant relationships, and the section 172 (1) statements required of any of its subsidiaries are published on the Group's corporate website.

#### *The community and the environment*

In 2022 Formula 1 focused on delivering against the Sustainability Strategy which sets out the following ambitions:

- To achieve Net Zero Carbon by 2030
- To leave a legacy of positive change wherever we race
- To take steps to build a more diverse and inclusive sport by removing barriers, nurturing talent, and inspiring change.

In reflection of the growing importance of this area to the Group, our mission statement was also updated in 2022 to include innovation, inclusivity, and sustainability at the heart of our future growth and value.

Key actions in 2022 include: Creating a new internal sustainability team, publishing our first sustainability briefing note, issuing guidance and reporting obligations to our race promoters who host our events, and updating our internal policies and procedures relating to sustainability such as our Code of Conduct, Sustainability Policy and Procurement Guidelines.

The directors fully subscribe to the aims of the plan, details of which are available from the Group's corporate website, and the company will pursue any required actions to contribute to its successful delivery.

Sustainable fuels have long been a key focus for Formula 1, and great strides were made in this area during 2022. Formula 1 is aiming to bring into future regulation a next generation power unit by 2026. The current F1 hybrid engine is the most efficient in the world with 52% thermal efficiency - no other light vehicle is above 40% - but the aim is for the new generation engine to run off a newly developed 100% sustainable fuel to help the sport achieve its goal of being Net Zero Carbon by 2030. As the next step towards this ambition, 2022 regulations required cars to use E10 fuel, a mixture of 90% fossil fuel and with a 10% ethanol content.

Formula 1 is actively engaged in discussions with fuel companies about creating the 100% sustainable fuel in the quantities needed, as well as then scaling up production for wider social use. By spearheading the development of 100% advanced sustainable drop-in fuels, the sport can play its part in making an enormous impact on the global transport sectors' greenhouse gas emissions. The major fuel suppliers and original equipment manufacturers ("OEMS") already in the sport, together with several potential new entrants, are all supportive of this ambition and the Group is in ongoing discussions with governments about the role the fuel developed could play in not just the automotive industry, but also shipping and aviation industries. The appeal of the sustainability efforts and development on sustainable fuels and wider applied technology was visible when Volkswagen Group announced it would be entering F1 with Audi in 2026, at the time of the introduction of both the new hybrid engine regulations and 100% sustainable fuels. Formula 1 published a Sustainability Briefing Note in 2022 which provides further detail on the background and development of sustainable fuels.

The Group further underscored its commitment to achieve Net Zero Carbon by 2030 through creating a public and visual identity for the commitment which can be seen on corporate assets and at the track. The Net Zero by 2030 campaign is intended to raise awareness for this important area of work and to continue to engage our key stakeholders in the delivery of this commitment. In 2022, F1 again achieved Albert Certification for the broadcast production of the FORMULA 1 PIRELLI BRITISH GRAND PRIX 2022. Albert Certification, which is industry-backed and awarded by the British Academy of Film and Television Arts ("BAFTA"), is given to productions that meet sustainable credentials, tackle the environmental impact of broadcasting, and inspire audiences to act on a more sustainable future. Formula 1 first earned the accreditation in 2021.

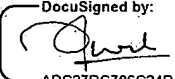
## Formula One Management Limited

### Strategic Report for the Year Ended 31 December 2022

Formula 1 announced in 2020 that the Group, together with other stakeholders in the sport, would focus specifically on creating employment and education opportunities for underrepresented groups. Following on from this commitment, in 2021, Formula 1 launched the 'Formula 1 Engineering Scholarships' programme, which supports 10 students in their undergraduate and postgraduate engineering degrees at leading universities in the UK and Italy, with additional placements for two long term apprentices from underrepresented groups within the F1 organisation in 2021, and six interns from underrepresented groups in 2022. In 2022 Formula 1 announced that it will extend its funding commitment to the Formula 1 Engineering Scholarship programme for underrepresented groups until 2025, continuing its drive to increase diversity within the sport. Additionally, the F1 Academy was announced in 2022 to maximize the opportunity and potential for young female drivers to reach the highest level in motorsport. The first season for F1 Academy will be in 2023.

As part of our commitment to leave a legacy of positive change wherever we race Formula 1 continued working with promoters to help assist and amplify numerous initiatives that benefit the local areas in the host countries that stage Championship events, and leave a positive, lasting impact. This included a number of regeneration projects, protecting surrounding flora and fauna, and making local events accessible to those in the local areas. In 2022, we formalised our process in this area by issuing guidance and reporting obligations to our race promoters who host our events. Topics in the guidance include: plastic & waste, local fan travel, wellbeing & nature, local community, energy and carbon.

Approved by the Board on 20 March 2023 and signed on its behalf by:

DocuSigned by:  
  
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Mr D Llowarch  
Director

## **Formula One Management Limited**

### **Directors' Report for the Year Ended 31 December 2022**

#### **Results and dividends**

The results for the year are shown in the Profit and Loss Account on page 19.

#### **Matters required to be reported under section 416(4) of the Companies Act 2006**

The company has chosen, as permitted under section 414C(11) of the Companies Act 2006, to discuss matters related to its employees and its key business relationships within its Strategic Report rather than the Directors' Report, as they are considered of strategic importance.

#### **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**

Excluding debtors due after more than one year, the company reported net current assets of £18.4m at 31 December 2022 (2021-£19.4m).

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

The company and its fellow Formula 1 subsidiaries have considerable financial resources together with long-term contracts with a number of customers spread across different geographic areas and industries. The company also has access to the wider resources of other Formula 1 subsidiaries, together with access to the Group's Revolving Credit Facility ("RCF"). During 2020 and 2021 when the coronavirus pandemic had a significant impact on the Group and the company the directors identified no issues with the going concern assumption on the basis the Group and Company had access to significant liquidity and in the expectation that the business would rebound strongly once restrictions were lifted. That has indeed proved to be the case as the Group and company performed strongly as conditions eased and a normal scope of activities resumed in the second half of 2021. 2022 has subsequently seen the Group deliver record revenues and operating returns, and the company having a strong year as discussed herein.

Positive budgets for 2023 and longer term projections for the business continue to support the going concern assessment, as part of which there has also been assessment, as required, of a severe but plausible downside scenario. With the considerable easing of the effects of the coronavirus pandemic, the severe but plausible downside scenario identified by the directors assumes the emergence of a new disruptive variant of the virus, leading to a repeat of the circumstances of the 2021 season, when ongoing restrictions required the replacement of a number of events, where lower fees were received for certain of those events, and only a reduced scope of activities was possible on account of significant attendance and other restrictions in place at some events. Even if such circumstances were to repeat, the Group has shown that it is able to replace cancelled events, even at short notice, and deliver a full Championship season, whilst still generating the majority of its revenues, and the commercial progress during 2022, where core revenue contract values in many cases have grown, and with many new sponsors and business partners having been contracted since 2021, in an identical downside scenario revenues and profits in 2023 would most likely be higher. Given that the Group recorded significant EBITDA of close to \$0.5bn and positive cash flows in 2021, in a repeat of such circumstances similar, or indeed potentially better, financial results could be assumed to arise, which in turn would allow the company to meet all liabilities as they fall due during the going concern period.

When considering liquidity, the directors note that the Group has reported available cash on balance sheet of \$752.1m at 31 December 2022, and in addition continues to have access to a wholly undrawn \$500m RCF, which is available to it until January 2028.

In November 2022, the Group successfully refinanced its debt facilities, diversifying its capital structure, renewing the RCF and using balance sheet cash to reduce its gross debt from \$2.9 billion to \$2.4 billion. The new facilities have maturities in January 2028 and January 2030, with a single net debt leverage ratio applying only to the RCF and Term Loan A element of the facilities provided by a group of relationship banks, which requires net leverage to be below 6.5x when tested each quarter. Given the strong financial performance, at 31 December 2022 net leverage has reduced further to 2.7x from 4.4x at the end of 2021, so there is considerable current headroom below the test requirement.

## Formula One Management Limited

### Directors' Report for the Year Ended 31 December 2022

The Group's performance in 2022, its expectations for 2023, falling leverage, a refreshed capital structure with no impending maturities, and continued access to significant readily available liquidity, support the directors' view that the company has adequate resources to continue to meet all liabilities as and when they fall due for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

#### Environmental report

The directors have provided the following environmental report for 2022 under the Streamlined Energy and Carbon Reporting Framework ("SECR") implemented by The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the Regulations"), including comparative information for the prior year. Additional information concerning the company's environmental strategy can be found in the Strategic Report.

#### Emissions and energy consumption

The company has followed a widely recognised methodology described within The Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard (Revised Edition 2004) to both determine its organisational boundaries and scope its greenhouse gas ("GHG") emissions.

To fulfil the requirements of SECR, the company's UK energy consumption has been measured and the associated GHG emissions classified within Scopes 1 and 2, with reporting also provided on the mandatory element of Scope 3 relating to emissions from business travel in rental cars or in employee-owned vehicles, where the company is responsible for purchasing the fuel used. The company has elected not to voluntarily report on other scope 3 emissions, as these are not considered to be material to its activities.

The company accounts for 100% of the GHG emissions from UK energy usage as a consequence of its actions, including energy consumption at its premises (electricity, gas and diesel fuel), operation of facilities during Championship events (including diesel fuel), and its transport activities (diesel and other fuel), including business travel (grey fleet), where the journey starts or ends in the UK. Emissions from the operation of electrical generators powered by diesel and/or hydrotreated vegetable oil ("HVO") fuel (at both business premises and at the race track) have been classified to Scope 1 because they are considered more material to the company's operations, although it is noted their inclusion is not a mandatory requirement of the Regulations.

The table below summarises energy consumption for the year:

	2022	2021
	Energy use kWh	Energy use kWh
Combustion of gas (Scope 1)	760,316	595,687
Purchased electricity (Scope 2)	4,177,977	4,132,783
Consumption of fuel for the purposes of transport (Scope 1)	539,361	433,092
Consumption of fuel for the purposes of transport (Scope 3)	85,023	6,007
Combustion of other fuel (Scope 1)	194,202	112,941
	<u>5,756,879</u>	<u>5,280,510</u>

During the year, the company recorded GHG emissions, in tonnes of carbon dioxide equivalent ("tCO<sub>2</sub>e") from:

- Combustion of gas (which includes activities involving combustion of gas from stationary or mobile activities including for the purposes of transport) - 138.5 tCO<sub>2</sub>e (2021-109.10 tCO<sub>2</sub>e)
- Purchased electricity (which includes electricity purchased for the company's own use, including for the purpose of transport) - 807.9 tCO<sub>2</sub>e (2021-877.50 tCO<sub>2</sub>e)
- Purchased transport fuel (which includes activities involving the consumption of fuel for the purposes of transport (but not other activities)) - 151.0 tCO<sub>2</sub>e (2021-104.10 tCO<sub>2</sub>e)
- Combustion of other fuel (which includes activities involving the combustion of diesel fuel for our generators) - 31.8 tCO<sub>2</sub>e (2021-7.30 tCO<sub>2</sub>e)

## Formula One Management Limited

### Directors' Report for the Year Ended 31 December 2022

The emissions data for the year ended 31 December 2022 is shown in the tables below, which details emissions in tCO<sub>2</sub>e analysed by Scope type.

#### Summary of Scope 1 (direct) GHG emissions

	2022 Emissions tCO <sub>2</sub> e	2021 Emissions tCO <sub>2</sub> e
Combustion of gas	139	109
Consumption of fuel for the purposes of transport	130	103
Combustion of other fuel	32	7
	<u>301</u>	<u>219</u>

#### Summary of Scope 2 (indirect) GHG emissions

	2022 Emissions tCO <sub>2</sub> e	2021 Emissions tCO <sub>2</sub> e
Purchased electricity	<u>808</u>	<u>878</u>

#### Summary of Scope 3 (other indirect) GHG emissions

	2022 Emissions tCO <sub>2</sub> e	2021 Emissions tCO <sub>2</sub> e
Consumption of fuel for the purposes of transport	<u>21</u>	<u>1</u>

Based on recorded consumption data for the year, the company reported total energy usage of 5,756,879kWh (2021-5,280,510kWh) and associated total emissions of 1,129.1tO<sub>2</sub>e (2021-1,098.0tCO<sub>2</sub>e).

2022 saw changes to the Company's property estate with the rental of two additional industrial units adjacent to the Media & Technology Centre at Biggin Hill, UK. The additional space contributed to the company's increased energy consumption (gas and electricity) in 2022. In addition, after the period of more intensive remote working and periodic lockdowns which partly impacted 2021, 2022 saw increased office attendance by staff across the year, and increased use of onsite facilities, driving up the use of Scope 2 electricity. In addition, the start, in late 2021, of a two year total refurbishment project of the company's Media & Technology Centre, which houses offices and all of the Group's non-race based broadcast, production, post-production and other technical facilities, has also accounted for increased energy usage at the site in 2022 as the works have progressed.

The approach to measuring energy consumption in 2022 has been consistent with that applied in prior years. Records of energy consumption have been collected and aggregated for all of the company's premises and operational activities. The data is largely extracted from verifiable sources, with a limited amount based on carefully reasoned estimates. Where energy usage is paid for as part of service charges, consumption figures have been estimated in the absence of access to the actual consumption figures which are reported to third party landlords and not provided to the company. In such cases, the energy usage estimations have been calculated based on occupied floor areas and well-recognised energy consumption benchmarks published within the Chartered Institute of Building Service Engineers' CIBSE Guide F publication.

Transport energy calculations have been based on mileage travelled by the company's HGV and LGV fleets, which includes mileage from journeys starting or ending within the UK related to the Championship's European events. The energy associated with business travel undertaken by the company's grey fleet has been obtained from mileage claims, with fuel consumption and emissions of an average car assumed for calculation purposes. For the company's HGV and LGV fleet energy usage calculations, accurate mileage figures and specific conversion factors have been used.

Fuel consumption data for diesel fuel and HVOs consumed by mobile generators, operated at both the company's business premises and at Championship events, has been obtained from purchase invoices.

The UK Government approved conversion factors for company reporting (as published by Department for Business, Energy & Industrial Strategy (BEIS) in Greenhouse gas reporting: conversion factors 2022) have been used during the undertaking of the carbon foot-printing exercise.

## Formula One Management Limited

### Directors' Report for the Year Ended 31 December 2022

#### *Intensity ratio based on Emissions per unit of occupied floor area*

Intensity ratios compare emissions data with an appropriate business metric or financial indicator which allows a comparison of energy efficiency performance over time with other similar types of organisation. The company has chosen to use GHG gas emissions in tCO<sub>2</sub>e per square metre of total floor area of its premises as the appropriate measure, and for 2022 reports its intensity ratio on that measure as 0.081 tCO<sub>2</sub>/m<sup>2</sup> (2021-0.0908 tCO<sub>2</sub>/m<sup>2</sup>). This measure will be monitored on an ongoing basis in future years.

#### *Energy efficiency action taken*

The company is actively looking to reduce its energy consumption and associated GHG emissions and is trying to improve its environmental impact by reducing carbon emissions.

During 2022 the company continued its commitment towards supporting the Group in its target to become a Net Zero carbon business by 2030, with initiatives undertaken during the year including:

- Continuation of the Media & Technology Centre refurbishment project, which is seeing modernisation of building facilities and services with new more energy efficient heating, ventilation, air conditioning (HVAC) and lighting systems, and with efficiencies to be delivered through the consolidation of the company's technical operations, including production activities and IT. The project is ongoing and targeted for completion in late 2023.
- Following trials in 2021, expanded use of HVO fuel for circuit based generators;
- Planning of the replacement of the Group's truck fleet with an outsourced operation for 2023, which will make use of a new truck fleet of modern vehicles generating significantly reduced carbon emissions
- Greater menu choices at the canteen in the office at the Media & Technology Centre, including an emphasis on meat-free options;
- Expansion of a scheme offered to staff to support travel to/from the Media & Technology Centre, including pick up points from nearby stations, so providing an efficient and low carbon footprint for office travel.

#### **Directors of the company**

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

Mr S Domenicali (appointed 8 September 2022)

Mr D Llowarch

Ms S Woodward Hill

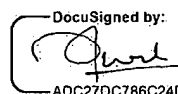
#### **Disclosure of information to the auditor**

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.

#### **Reappointment of auditor**

The auditor, KPMG LLP, will be deemed reappointed in accordance with section 487 of the Companies Act 2006.

Approved by the Board on 20 March 2023 and signed on its behalf by:

DocuSigned by:  
  
ADC27QC786C24D5.....

Mr D Llowarch  
Director



## **Formula One Management Limited**

### **Statement of Directors' Responsibilities**

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

## **Independent Auditor's Report to the Members of Formula One Management Limited**

### **Opinion**

We have audited the financial statements of Formula One Management Limited (the "company") for the year ended 31 December 2022 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 5.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

### **Fraud and breaches of laws and regulations - ability to detect**

#### ***Identifying and responding to risks of material misstatement due to fraud***

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management and inspection of policy documentation as to the company's high-level policies and procedures to prevent and detect fraud including the company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Performing walkthroughs and obtaining understanding of key processes.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

## **Independent Auditor's Report to the Members of Formula One Management Limited**

As required by auditing standards, and taking into account possible pressures to meet targets, our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment. On this audit we do not believe there is a fraud risk related to revenue recognition because contracts are typically not complex and revenue recognition, which in most cases is linked directly to specific races or an entire championship season, requires minimal judgement.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the company-wide fraud risk management.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts, those containing unexpected words or descriptions, those posted by unexpected individuals and unbalanced or non-standard format journals.
- Assessing significant accounting estimates and judgements for bias.
- Reviewed certain contracts and commission arrangements for evidence of unusual or unexpected items. Requested third party confirmations for certain contracts to confirm terms in place.

### ***Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations***

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas where non-compliance could have a more material effect: health and safety regulations, employment law and anti-bribery and corruption legislation acknowledging the company's business activities with governmental agencies and public officials. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### ***Context of the ability of the audit to detect fraud or breaches of law or regulation***

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Strategic report and directors' report**

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

## **Independent Auditor's Report to the Members of Formula One Management Limited**

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

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

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 15, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A further description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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

Paul Smeulders (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
15 Canada Square  
London  
E14 5GL

21 March 2023 | 17:27 GMT

Date:.....

## Formula One Management Limited

### Profit and Loss Account for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Turnover	7	350,670	234,829
Cost of sales		<u>(195,711)</u>	<u>(115,312)</u>
Gross profit		154,959	119,517
Administrative expenses		<u>(136,315)</u>	<u>(107,782)</u>
Operating profit	8	18,644	11,735
Other (losses)/gains	9	<u>(238)</u>	<u>7</u>
Profit on ordinary activities before interest		18,406	11,742
Interest receivable and similar income	11	4	2
Interest payable and similar expenses	11	<u>(1,244)</u>	<u>(1,114)</u>
Profit before tax		17,166	10,630
Tax on profit on ordinary activities	15	<u>(3,537)</u>	<u>(929)</u>
Profit for the financial year		<u><u>13,629</u></u>	<u><u>9,701</u></u>

The above results were derived from continuing operations.

**Formula One Management Limited****Statement of Comprehensive Income for the Year Ended 31 December 2022**

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit for the year	13,629	9,701
<b>Other comprehensive income, net of tax</b>	-	-
Total comprehensive income for the year	<u>13,629</u>	<u>9,701</u>

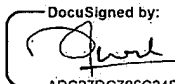
The notes on pages 23 to 40 form an integral part of these financial statements.

**Formula One Management Limited**

**(Registration number: 01545332)**  
**Balance Sheet as at 31 December 2022**

	Note	2022 £ 000	2021 £ 000
<b>Fixed assets</b>			
Intangible assets	16	171	99
Tangible fixed assets	17	37,819	18,666
Right-of-use assets	18	20,673	23,133
		<u>58,663</u>	<u>41,898</u>
<b>Current assets</b>			
Debtors due within one year	19	112,835	89,822
Debtors due after more than one year	20	329	4,236
Cash at bank and in hand	21	44	38
		<u>113,208</u>	<u>94,096</u>
Creditors: Amounts falling due within one year	22	(94,499)	(70,417)
Net current assets (including debtors due after more than one year)		<u>18,709</u>	<u>23,679</u>
Total assets less current liabilities		77,372	65,577
Creditors: Amounts falling due after more than one year	23	(22,163)	(23,997)
Provisions for liabilities	24	(1,500)	(1,500)
Net assets		<u>53,709</u>	<u>40,080</u>
<b>Capital and reserves</b>			
Called up share capital	25	1	1
Profit and Loss account		<u>53,708</u>	<u>40,079</u>
Shareholders' funds		<u>53,709</u>	<u>40,080</u>

Approved by the Board on 20 March 2023 and signed on its behalf by:

DocuSigned by:  
  
 ...ADC27DC786C24D5.....  
 Mr D Llowarch  
 Director

The notes on pages 23 to 40 form an integral part of these financial statements.

**Formula One Management Limited****Statement of Changes in Equity for the Year Ended 31 December 2022**

	<b>Share capital</b> <b>£ 000</b>	<b>Retained</b> <b>earnings</b> <b>£ 000</b>	<b>Total</b> <b>£ 000</b>
At 1 January 2021	1	30,378	30,379
Total comprehensive income	-	9,701	9,701
At 31 December 2021	1	40,079	40,080
Total comprehensive income	-	13,629	13,629
At 31 December 2022	1	53,708	53,709

The notes on pages 23 to 40 form an integral part of these financial statements.



## Formula One Management Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 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:

No. 2 St. James's Market

London

SW1Y 4AH

These financial statements were authorised for issue by the Board on 20 March 2023.

#### 2 Basis of preparation

Abbreviations used in these financial statements are defined in the Glossary of abbreviated terms (see page 1).

These financial statements were prepared in accordance with 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.

##### *New standards, interpretations and amendments effective*

None of the new standards, interpretations and amendments adopted by the company for the first time for its annual reporting period commencing 1 January 2022 have had a material effect on the financial statements.

#### 3 Going concern

Excluding debtors due after more than one year, the company reported net current assets of £18.4m at 31 December 2022 (2021-£19.4m).

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

The company and its fellow Formula 1 subsidiaries have considerable financial resources together with long-term contracts with a number of customers spread across different geographic areas and industries. The company also has access to the wider resources of other Formula 1 subsidiaries, together with access to the Group's RCF. During 2020 and 2021 when the coronavirus pandemic had a significant impact on the Group and the company the directors identified no issues with the going concern assumption on the basis the Group and Company had access to significant liquidity and in the expectation that the business would rebound strongly once restrictions were lifted. That has indeed proved to be the case as the Group and company performed strongly as conditions eased and a normal scope of activities resumed in the second half of 2021. 2022 has subsequently seen the Group deliver record revenues and operating returns, and the company having a strong year as discussed herein.

Positive budgets for 2023 and longer term projections for the business continue to support the going concern assessment, as part of which there has also been assessment, as required, of a severe but plausible downside scenario. With the considerable easing of the effects of the coronavirus pandemic, the severe but plausible downside scenario identified by the directors assumes the emergence of a new disruptive variant of the virus, leading to a repeat of the circumstances of the 2021 season, when ongoing restrictions required the replacement of a number of events, where lower fees were received for certain of those events, and only a reduced scope of activities was possible on account of significant attendance and other restrictions in place at some events. Even if such circumstances were to repeat, the Group has shown that it is able to replace cancelled events, even at short notice, and deliver a full Championship season, whilst still generating the majority of its revenues, and the commercial progress during 2022, where core revenue contract values in many cases have grown, and with many new sponsors and business partners having been contracted since 2021, in an identical downside scenario revenues and profits in 2023 would most likely be higher. Given that the Group recorded significant EBITDA of close to \$0.5bn and positive cash flows in 2021, in a repeat of such circumstances similar, or indeed potentially better, financial results could be assumed to arise, which in turn would allow the company to meet all liabilities as they fall due during the going concern period.

## Formula One Management Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 3 Going concern (continued)

When considering liquidity, the directors note that the Group has reported available cash on balance sheet of \$752.1m at 31 December 2022, and in addition continues to have access to a wholly undrawn \$500m RCF, which is available to it until January 2028.

In November 2022, the Group successfully refinanced its debt facilities, diversifying its capital structure, renewing the RCF and using balance sheet cash to reduce its gross debt from \$2.9 billion to \$2.4 billion. The new facilities have maturities in January 2028 and January 2030, with a single net debt leverage ratio applying only to the RCF and Term Loan A element of the facilities provided by a group of relationship banks, which requires net leverage to be below 6.5x when tested each quarter. Given the strong financial performance, at 31 December 2022 net leverage has reduced further to 2.7x from 4.4x at the end of 2021, so there is considerable current headroom below the test requirement.

The Group's performance in 2022, its expectations for 2023, falling leverage, a refreshed capital structure with no impending maturities, and continued access to significant readily available liquidity, support the directors' view that the company has adequate resources to continue to meet all liabilities as and when they fall due for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

#### 4 Disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment, because the share-based payment arrangement concerns the instruments of another group entity;
- 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), 16, 38A, 38B-D, 111 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;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraphs 52, 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

## Formula One Management Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 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.

##### Revenue recognition

Revenue recognition is determined using the principles of IFRS 15 Revenue from Contracts with Customers, which are applied through the application of the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

The company generates revenue from services provided to FOWC, the CRH to the Championship and other Group companies. Under the terms of its agreement with FOWC, the company charges for costs incurred in respect of the services and activities it performs, including the provision of worldwide travel services, technical support and broadcast services at all races on the Championship calendar, and associated head office and "back office" services. The operating costs incurred in providing the services include costs of personnel, worldwide travel, technical support and broadcast services at all races on the Championship calendar, along with associated head office costs. In addition the company charges other fellow Formula 1 subsidiaries for personnel and other costs incurred on their behalf. Other revenue also includes technical support services to television broadcasters, the Championship's participating teams and other third parties. Revenues can therefore relate to (i) services associated with an entire Championship season, (ii) services related to a specific Championship event, (iii) services related to a specific period, typically a calendar year, or (iv) services with more ad hoc performance obligations.

Revenues that relate to services provided for an entire Championship season are recognised evenly on an event by event basis, with revenues relating to specific Championship events being recognised on the occurrence of the events concerned. Revenues that relate to services provided over a period of time are recognised evenly over that time period. Otherwise, revenues that do not meet these criteria are recognised when the services are provided.

The transaction price is determined by fees typically specified in the contract or are based on cost recharges. Occasional multi-year contracts specify a fee for each Championship season, event or period, falling within each year of the contract. If a contract contains multiple distinct performance obligations but does not specify a specific fee for each element, a separate standalone value is identified for each performance obligation, with the overall transaction price then allocated to each performance obligation in proportion to its standalone value relative to the total standalone value of all performance obligations.

##### Interest receivable

Income is recognised as interest accrues using the effective interest rate ("EIR") 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.

## Formula One Management Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 5 Accounting policies (continued)

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 when 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.

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.

## Formula One Management Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 5 Accounting policies (continued)

##### 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

##### 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.

##### Leases

###### *The company as lessee*

At inception of a contract, the company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

- Obtain substantially all the economic benefits from the use of the underlying asset, and;
- Direct the use of the underlying asset, such as direct how and for what purpose the asset is used.

Where contracts contain a lease coupled with an agreement to sell other goods or services (i.e. non-lease components), the non-lease components have been treated as separate components from the lease components and have been accounted for by applying other relevant and applicable accounting standards.

###### *(a) Initial recognition and measurement*

At the lease commencement date, the company recognises a right-of-use asset for the right to use the underlying asset for the lease term, and a lease liability for the obligation to make lease payments. The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs and an estimate of restoration, removal and dismantling costs. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the company's incremental borrowing rate.

## Formula One Management Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 5 Accounting policies (continued)

If the company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which the asset is located or restore the underlying asset to the condition required by the terms of the lease, a provision is recognised and measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The costs are included in the related right-of-use asset.

##### *(b) Subsequent measurement*

The right-of-use assets are depreciated to the earlier of the end of the useful life of the asset, or the lease term using the straight-line method because this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the company is reasonably certain to extend that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, in accordance with the company's policy on impairment of non-financial assets, and also adjusted for certain re-measurements of the lease liability.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

##### *(c) Short-term and low value leases*

The company has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

#### **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments consist of trade debtors, cash and cash equivalents, intra-group receivables, trade creditors and intra-group payables.

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. The company determines the classification of financial assets and financial liabilities at initial recognition.

All financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as "at amortised cost" and financial assets "at fair value through other comprehensive income" ("FVOCI") are included within the carrying value of such instruments. Transaction costs directly attributable to the acquisition of financial instruments which are classified as "fair value through profit and loss" ("FVPL") are recognised immediately in the Profit and Loss account.

#### *Financial Assets*

##### *(a) Classification and subsequent measurement*

All recognised financial assets are classified as either financial assets at amortised cost, FVOCI or FVPL. The company currently has no financial assets classified as either FVOCI or FVPL.

##### *Financial assets at amortised cost*

Financial assets that meet the following conditions are classified as 'financial assets at amortised cost':

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest; and
- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The asset was not acquired principally for the purpose of selling in the near term or management for short-term profit taking (held for trading).

Financial assets at amortised cost are subsequently measured at amortised cost using the EIR method. The EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial instrument. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income or finance costs in the Profit and Loss account.

## Formula One Management Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 5 Accounting policies (continued)

Financial assets at amortised cost are subject to impairment review. Gains and losses are recognised in the Profit and Loss account when the asset is derecognised, modified or impaired.

##### *(b) Impairment of financial assets*

The company assesses financial assets at amortised cost for impairment and recognises an impairment loss allowance that reduces the carrying amount of the assets. The impairment loss, as required by IFRS 9, is based on expected credit losses ("ECL") and reflects forward looking information. The ECL is first recognised on the date of initial recognition of the asset.

The simplified approach is used under IFRS 9 for assessing the potential impairment of short-term trade receivables, long-term trade receivables, accrued income and lease receivables, with the general approach used for other financial assets.

The simplified approach:

Under IFRS 9's simplified approach, the impairment loss is based on credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL) and is calculated, for a class of assets, as the weighted average of credit losses where the weights are the probabilities of default. Factors such as historical credit loss experience, future economic climate and forward-looking factors specific to the debtors are taken into account when estimating the probability of default.

The general approach:

Impairments are assessed and recognised in three stages to reflect the potential variation in credit quality of financial assets:

-Stage 1: items that have not deteriorated significantly in credit quality since initial recognition. For these items, the ECL is based on credit losses that result from default events that are possible within the next 12 months (a 12 month ECL) and is calculated as lifetime losses from default inside 12 months weighted by the probability of default in 12 months

-Stage 2: items that have deteriorated significantly in credit quality since initial recognition but do not have objective evidence of a credit loss event. For these items, the ECL is equal a lifetime ECL and interest is calculated based on the gross carrying value of the asset

-Stage 3: items that have objective evidence of impairment at the reporting date. For these items the ECL is also equal to a lifetime ECL but the interest is calculated based on the net carrying value of the asset.

The amount of credit loss is calculated as the present value of estimated cash shortfalls discounted at the financial asset's original EIR.

##### *(c) Financial assets held by the company*

###### *(i) Trade debtors*

Trade debtors are amounts due from customers for commercial rights sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors that do not contain a significant financing component or for which the company has applied the practical expedient under IFRS 15 are recognised initially at the transaction price under IFRS 15. Otherwise they are initially measured at fair value. They are subsequently measured at amortised cost less provision for impairment.

###### *(ii) Intra-group receivables*

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

###### *(iii) Cash and cash equivalents*

Cash and cash equivalents include cash at bank and in hand, deposits 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. Term deposits with an initial maturity of more than three months are treated as other current financial assets.

## Formula One Management Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 5 Accounting policies (continued)

##### *Financial liabilities*

##### *(a) Classification and measurement*

All recognised financial liabilities are subsequently measured at either amortised cost or fair value. Financial liabilities that are not held for trading and are not designated as at fair value through profit and loss are classified as 'Financial liabilities measured at amortised cost' and are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts that are subsequently measured at amortised cost are determined based on the EIR method (see above). The company's financial liabilities include trade and other creditors and intra-group payables. All of the company's financial liabilities are classified as 'Financial liabilities measured at amortised cost'.

##### *(i) Trade payables*

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. 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 EIR method.

##### *(ii) Intra-group payables*

Intra-group payables are initially recognised at the transaction price and subsequently measured at amortised cost using the EIR method.

##### **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.

#### 6 Judgements and key sources of estimation uncertainty

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

In preparing the financial statements management have made certain judgements, estimates and assumptions which are considered to have a significant effect on the amounts recognised in the historical financial information and where significant uncertainty may exist, with the risk that a material adjustment to the carrying amounts of assets and liabilities may be required within the next financial year.

Those judgements, estimates and assumptions are discussed below.

##### *Taxation*

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and reversal of the temporary differences can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing, level and make up of future taxable profits and future tax planning strategies.



## Formula One Management Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 6 Judgements and key sources of estimation uncertainty (continued)

##### *Lease term*

Judgements have been applied in determining whether it is reasonably certain that extension options on certain property leases will be exercised. Where management have judged that it is reasonably certain that an extension option will be exercised, the lease term has been treated as running to the end of the extension period. The effect of this has been to increase the amount of the lease liabilities and right-of-use assets on the Balance Sheet.

#### 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:

	2022 £ 000	2021 £ 000
Intra-group services fees and recharges	338,298	223,128
Other	12,372	11,701
	<u>350,670</u>	<u>234,829</u>

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

#### 8 Operating profit

Arrived at after charging/(crediting)

	2022 £ 000	2021 £ 000
Amortisation expense (see note 16)	9	9
Depreciation expense on tangible fixed assets (see note 17)	4,576	2,901
Depreciation expense on right-of-use assets (see note 18)	2,574	3,791
Foreign exchange (gains)/losses	(165)	182
Expense on short term leases	<u>1,094</u>	<u>1,149</u>

#### 9 Other gains and losses

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

	2022 £ 000	2021 £ 000
Loss on disposal of property, plant and equipment	(238)	(8)
Gain from disposal of right-of-use assets	-	15
	<u>(238)</u>	<u>7</u>

#### 10 Reconciliation of non-GAAP measures

The directors' discussion of the company's financial performance in the Strategic Report includes reference to Earnings before Interest, Taxes, Depreciation and Amortisation ("EBITDA"), 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.

# Formula One Management Limited

## Notes to the Financial Statements for the Year Ended 31 December 2022

### 10 Reconciliation of non-GAAP measures (continued)

	2022 £ 000	2021 £ 000
<b>EBITDA</b>		
Operating profit	18,644	11,735
Add: amortisation expense (see notes 8 and 16)	9	9
Add: depreciation expense on tangible fixed assets (see notes 8 and 17)	4,576	2,901
Add: depreciation expense on right-of-use assets (see notes 8 and 18)	2,574	3,791
EBITDA	<u>25,803</u>	<u>18,436</u>

### 11 Interest payable and receivable

	2022 £ 000	2021 £ 000
<b>Interest receivable and similar income</b>		
Other finance income	<u>4</u>	<u>2</u>
<b>Interest payable and similar expenses</b>		
Interest expense on lease liabilities	(1,214)	(1,100)
Other finance costs	<u>(30)</u>	<u>(14)</u>
Total interest payable and similar expenses	<u>(1,244)</u>	<u>(1,114)</u>

### 12 Staff costs

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

	2022 £ 000	2021 £ 000
Wages and salaries	76,902	57,638
Social security costs	9,039	7,573
Pension costs, defined contribution scheme	<u>3,454</u>	<u>2,969</u>
	<u>89,395</u>	<u>68,180</u>

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

	2022 No.	2021 No.
Management and administration	271	247
Technical	278	276
Directors	<u>3</u>	<u>3</u>
	<u>552</u>	<u>526</u>

## Formula One Management Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 12 Staff costs (continued)

During the year the average number of employees of the company increased by 26 (4.9%) to 552.

All of Formula 1's principal activities are based in the UK, and its UK based employees continue to be employed by the company, which acts as a service company for the Group and on an annual basis recharges personnel costs to fellow Group companies which it incurs on their behalf.

#### 13 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £ 000	2021 £ 000
Aggregate emoluments in respect of qualifying services	10,207	4,940
Company contributions to money purchase schemes	4	4
	<u>10,211</u>	<u>4,944</u>

The above represents remuneration paid to the company's 3 directors for qualifying services provided during the year (2021-2). Remuneration receivable by the directors, and disclosed above, represents amounts receivable in respect of all services they provide to the Group in the year. The fees are paid by the company, and are taken into account in determining charges raised to other Group companies for services the company is contracted to provide.

The highest paid director received aggregate emoluments during the period of £4,599k (2021- £2,614k).

During the year, the company made contributions of £4k (2021-£4k) to money purchase pensions schemes on behalf of 1 of the directors (2021-1).

During the year 1 director was granted stock options under Liberty's executive incentive plans (2021-2), and 1 director exercised stock options (2021-Nil).

Amounts receivable by directors under a new, cash settled, long-term incentive scheme introduced in 2022 totalled £2,865k (2021- Nil).

#### 14 Auditor's remuneration

	2022 £ 000	2021 £ 000
Audit of the financial statements	<u>62</u>	<u>38</u>
<b>Other fees paid to auditor</b>		
Audit fees incurred on behalf of other UK Formula 1 subsidiaries	1,088	800
Tax advisory services	245	278
Audit-related assurance services	<u>55</u>	<u>35</u>
	<u>1,388</u>	<u>1,113</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 UK-based Group companies which are recharged where appropriate.

## Formula One Management Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 15 Taxation

Tax charged in the Profit and Loss account:

	2022 £ 000	2021 £ 000
<b>Current taxation</b>		
UK corporation tax	94	178
UK corporation tax adjustment to prior periods	(29)	(11)
Payment to fellow Formula 1 subsidiaries for Group taxation relief	70	668
Group relief adjustment to prior periods	(432)	80
Total current income tax	(297)	915
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	3,375	1,064
Adjustments in respect of prior periods	459	(95)
Effect of tax rate change on deferred tax balances	-	(955)
Total deferred taxation	3,834	14
Tax charged in the Profit and Loss account	3,537	929

Tax charged to the Profit and Loss account differs from tax calculated by applying the average rate of corporation tax in the UK of 19% (2021-19%) to the result before tax for the period. The differences are reconciled below:

	2022 £ 000	2021 £ 000
Profit before tax	17,166	10,630
Corporation tax at standard rate	3,262	2,020
Expenses not deductible for tax purposes	189	130
Effect of foreign exchange rates on Group relief	-	21
Adjustments to prior periods-current tax	(461)	70
Adjustments to prior periods-deferred tax	459	(95)
Effect of different tax rates on current and deferred tax	920	(955)
Other permanent differences	(832)	(262)
Total tax charge	3,537	929

## Formula One Management Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 15 Taxation (continued)

##### Changes in tax rates and factors affecting the future tax charge

In 2021 the UK Government announced its intention to increase the UK standard rate of corporation tax from 19% to 25%, applicable from 1 April 2023. The rate change was included in Finance Act 2021 which was granted Royal Assent on 10 June 2021. As a result of this, deferred tax balances at 31 December 2022 have been recognised at 25% (2021-25%) of the underlying temporary differences, being the rate at which they are now expected to unwind.

##### Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000	2022 Net £ 000	Asset £ 000	Liability £ 000	2021 Net £ 000
Accelerated capital allowances	-	(390)	(390)	3,978	-	3,978
Accruals	535	-	535	-	-	-
	<u>535</u>	<u>(390)</u>	<u>145</u>	<u>3,978</u>	<u>-</u>	<u>3,978</u>

##### Deferred tax movement during the year

	Accelerated tax depreciation £ 000	Accruals £ 000	Net tax assets/ (liabilities) £ 000
At 1 January 2021	3,992	-	3,992
Recognised in income	(14)	-	(14)
At 31 December 2021	3,978	-	3,978
Recognised in income	(4,368)	535	(3,833)
At 31 December 2022	<u>(390)</u>	<u>535</u>	<u>145</u>

Deferred tax assets have been recognised in respect of deductible temporary differences because the company's financial projections indicate that sufficient taxable profits will be available in future periods against reversing temporary differences can be offset.

# Formula One Management Limited

## Notes to the Financial Statements for the Year Ended 31 December 2022

### 16 Intangible assets

	Other intangible assets £ 000
<b>Cost or valuation</b>	
At 1 January 2022	376
Additions	81
Disposals	(68)
At 31 December 2022	389
<b>Amortisation</b>	
At 1 January 2022	277
Amortisation charge	9
Amortisation eliminated on disposals	(68)
At 31 December 2022	218
<b>Carrying amount</b>	
At 31 December 2022	171
At 31 December 2021	99

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

### 17 Tangible fixed assets

	Leasehold improvements £ 000	Plant, machinery and vehicles £ 000	Furniture, fittings and equipment £ 000	Aircraft £ 000	Total £ 000
<b>Cost or valuation</b>					
At 1 January 2022 (as restated)	15,639	25,141	7,175	3,881	51,836
Additions	17,019	2,812	4,451	-	24,282
Disposals	(7,698)	(8,900)	(1,585)	(3,881)	(22,064)
At 31 December 2022	24,960	19,053	10,041	-	54,054
<b>Depreciation</b>					
At 1 January 2022 (as restated)	9,457	16,178	4,109	3,426	33,170
Charge for the year	919	2,657	1,000	-	4,576
Eliminated on disposal	(7,707)	(8,832)	(1,546)	(3,426)	(21,511)
At 31 December 2022	2,669	10,003	3,563	-	16,235
<b>Carrying amount</b>					
At 31 December 2022	22,291	9,050	6,478	-	37,819
At 31 December 2021	6,182	8,963	3,066	455	18,666

## Formula One Management Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 17 Tangible fixed assets (continued)

##### Restatement of Cost or valuation and Depreciation at 1 January 2022

Adjustment has been made to restate brought forward Plant, machinery and vehicles balances as at 1 January 2022, increasing previously reported Cost or valuation at 1 January 2022 from £14.4m to £25.1m and cumulative Depreciation at 1 January 2022 from £5.4m to £16.2m. The carrying amounts at 31 December 2022 and 31 December 2021 are unaffected by the adjustment. The adjustment was made to correct understated brought forward balances resulting from a historic transfer of certain assets to the company from a fellow subsidiary.

#### 18 Lease assets and liabilities

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.

In addition to the leases discussed above, on 24 February 2017 the company signed a lease agreement for its new head office in St. James' Market in London which required fit out and was available for occupation at the end of July 2017. The lease has a term of 15 years with a tenant only break option after 10 years. Management have judged that it is reasonably certain that the tenant only break option will not be exercised and therefore the lease term has been treated as running for 15 years.

On 19 April 2021 the company signed a successor lease agreement for its Sapphire House site at Biggin Hill, the home of the company's Media and Technology Centre, following the early termination of the existing lease. The new lease has a term of 15 years with a tenant only break option after 10 years. Management believe that it is reasonably certain that the tenant only break option will not be exercised and therefore the lease term has been treated as running for 15 years.

There are no restrictions placed upon the company by entering into these leases.

##### Right-of-use assets

The Balance Sheet includes the following right-of-use assets relating to leases:

	Leasehold properties £ 000	Plant, machinery and vehicles £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 January 2022	26,958	4,724	31,682
Additions	-	146	146
Disposals	(423)	(3,514)	(3,937)
At 31 December 2022	26,535	1,356	27,891
<b>Depreciation</b>			
At 1 January 2022	4,472	4,077	8,549
Charge for the year	1,974	600	2,574
Eliminated on disposal	(391)	(3,514)	(3,905)
At 31 December 2022	6,055	1,163	7,218
<b>Carrying amount</b>			
At 31 December 2022	20,480	193	20,673
At 31 December 2021	22,486	647	23,133

## Formula One Management Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 18 Lease assets and liabilities (continued)

##### Leases included in creditors

	2022 £ 000	2021 £ 000
Current lease liabilities (see note 22)	1,897	2,170
Long term lease liabilities (see note 23)	22,163	23,997

#### 19 Debtors due within one year

	2022 £ 000	2021 £ 000
Trade debtors	1,157	3,772
Provision for impairment of trade debtors	-	(1)
Net trade debtors	1,157	3,771
Amounts due from other Formula 1 companies	96,504	78,971
Amounts receivable from other Liberty companies	252	182
Accrued income	-	95
Prepayments	5,042	3,712
Other debtors	192	27
Other tax recoverable	9,688	2,762
Income tax asset	-	302
Total debtors due within one year	112,835	89,822

Amounts due from other Formula 1 companies are trading balances on which no interest is charged.

No ECL has been provided on amounts due from other Formula 1 companies and related parties because under the simplified approach for trade receivables, the probability of default is considered to be extremely remote because the Group has considerable financial resources. As such the lifetime ECL is deemed to be immaterial and so no impairment has been recognised. In addition no ECL has been provided on other debtors because the balances are at Stage 1 of IFRS 9's general approach impairment model i.e. they have not deteriorated significantly in credit quality since initial recognition. The probability of default is considered to be extremely remote. As such the ECL in the next 12 months is deemed to be immaterial and so no impairment has been recognised.

#### 20 Debtors due after more than one year

	Note	2022 £ 000	2021 £ 000
Prepayments		184	258
Deferred tax assets	15	145	3,978
Total debtors due after more than one year		329	4,236

£184k (2021-£258k) of prepayments are classified as non-current. £184k (2021-£248k) relate to prepayments related to costs connected to future race events which are to be recognised in the Profit and Loss account in the years 2024 to 2026.



# Formula One Management Limited

## Notes to the Financial Statements for the Year Ended 31 December 2022

### 21 Cash and cash equivalents

	2022 £ 000	2021 £ 000
Cash at bank and in hand	<u>44</u>	<u>38</u>

The company and most of Formula 1's other subsidiaries started to participate together in a cash pooling arrangement operated by the Group's principal bank. Under the arrangement, each participating subsidiary's account balances are swept in real time into accounts held by FOWC, the subsidiary that acts as principal to the arrangement. Intra-group receivables or payables with FOWC are then recognised accordingly.

### 22 Creditors: Amounts falling due within one year

	Note	2022 £ 000	2021 £ 000
Current lease liabilities	18	1,897	2,170
Trade creditors		3,222	6,214
Accrued expenses		71,756	47,936
Amounts due to other Formula 1 companies		7,600	5,612
Amounts due to other Liberty companies		119	37
Social security and other taxes		2,221	5,300
Income tax liability		25	-
Other creditors		790	411
Deferred income		<u>6,869</u>	<u>2,737</u>
		<u>94,499</u>	<u>70,417</u>

Amounts due to other Formula 1 companies and other Liberty companies are trading balances on which no interest is charged.

### 23 Creditors: Amounts falling after more than one year

	Note	2022 £ 000	2021 £ 000
Long term lease liabilities	18	<u>22,163</u>	<u>23,997</u>

### 24 Provisions for liabilities

	Other Provisions £ 000
At 1 January 2022	<u>1,500</u>
At 31 December 2022	<u>1,500</u>

Other provisions represent a provision for dilapidation costs in connection with the company's St. James' Market offices.

## Formula One Management Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 25 Share capital

##### Allotted, called up and fully paid shares

	No.	2022 £	No.	2021 £
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

#### 26 Commitments

##### Capital commitments

Capital commitments are amounts contracted for, but not provided for, in these financial statements and relate to items of property, plant and equipment. The company had capital commitments of £4.6m at 31 December 2022 (2021-£1.1m).

##### Guarantees and other financial commitments

The Group's third party loan facilities and hedging arrangements are secured by fixed and floating charges (including share pledges and security over intra-group and book debts) over the present and future assets of the Group's main operating companies (of which the company is one), with cross guarantees as appropriate (including from the company).

#### 27 Related party transactions

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

##### Expenditure with and payables to related parties

##### 2022

There were no related party transactions to disclose in the current year.

##### 2021

Expenses recharged

**Other related  
parties  
£ 000**

1

#### 28 Parent and ultimate parent undertaking

The company's immediate parent undertaking is FOWC, a company incorporated in England and Wales and a wholly-owned subsidiary of Liberty.

As at the balance sheet date Liberty, a Nasdaq listed company incorporated in the United States of America, 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. Liberty's consolidated accounts are publicly available from 12300 Liberty Blvd, Englewood, CO 80112, USA. Liberty is considered to be, in the opinion of the directors, the ultimate parent undertaking of the company.