

Formula Motorsport Limited

Strategic Report, Directors' Report and Financial Statements

for the Year Ended 31 December 2018

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Formula Motorsport Limited

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Formula Motorsport Limited

Company Information

Directors

Mr D Llowarch

Ms S Woodward Hill

Mr B T S Michel

Registered office

No. 2 St. James's Market

London

SW1Y 4AH

Auditor

KPMG LLP

Chartered Accountants

15 Canada Square

London

E14 5GL

Formula Motorsport Limited

Strategic Report for the Year Ended 31 December 2018

The directors present their Strategic Report, Directors' Report and the Financial Statements for the year ended 31 December 2018.

Principal activities

The principal activities of the company during the year were the organisation and management of the FIA Formula 2 Championship™ ("F2") and the GP3 Series™ ("GP3"). GP3 ceased at the end of its 2018 season and with effect from 2019 the company will instead operate and manage the FIA Formula 3 Championship™ ("F3").

All championships provide their participating teams and drivers with first-hand experience of racing in the Grand Prix ("GP") environment, together with opportunities to develop driving and engineering skills, showcase their talents and gain exposure to Formula One™ ("F1").

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 will collectively be referred to herein as "Formula 1" or the "Group".

As a Formula 1 subsidiary, the company has close operational links to the various other Formula 1 companies.

Basis of preparation

Following the Liberty transaction, as the company is now a subsidiary of a Nasdaq listed company which prepares publicly available consolidated accounts, the company is no longer required to prepare financial statements under IFRS. As a result the company has elected to prepare its financial statements for the year ended 31 December 2018 under Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). Comparative information for the period ended 31 December 2017 is also presented herein under FRS 101.

Adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers

These financial statements for the year ended 31 December 2018 are the first the company has prepared following adoption of the new accounting standards IFRS 9 and IFRS 15. On application of the requirements of the new standards for the first time, as allowed, comparative information has not been restated. The first time applications have had no significant impact on these financial statements (see note 24).

Review of the business

Following the Liberty acquisition, Formula 1 reviewed its corporate structure and internal financing arrangements and in November 2017 executed a significant restructuring in order to simplify the operations of the Group and its various intra-group loan arrangements. The impact of these changes on the company was discussed in the company's financial statements for the year ended 31 December 2017, principal of which was the acquisition by the company of ownership interests, intellectual property and assets in the old GP2 Series™ ("GP2") and GP3. The interests in GP2 and GP3 were acquired for nominal consideration from GP2 Limited, a then fellow Formula 1 subsidiary.

Pursuant to an agreement between Fédération Internationale de l'Automobile ("FIA") and the company (dated 9 March 2017), the company was granted the right to promote and commercially exploit F2 in the period 2017 - 2041. The GP2 Series™ was discontinued as a result. On 20 August 2018, the company entered into a further agreement with the FIA to promote and commercially exploit F3 in the period 2019 - 2041. The GP3 Series™ has been discontinued at the end of the 2018 season as a result.

Following the first year of F2 in 2017, with the teams having used equipment previously used in GP2 in the period 2014 to 2016, in 2018 a new multi-year cycle of F2 commenced. In addition, as noted, 2018 was the last year of the final GP3 cycle. The company's key financial and other performance indicators during the year are shown in the table that follows:

Formula Motorsport Limited

Strategic Report for the Year Ended 31 December 2018

	2018 € m	2017 € m	Change € m	Change %
Turnover (see note 6)	38.6	18.3	20.3	111%
Cost of sales	<u>(30.6)</u>	<u>(16.0)</u>	<u>(14.6)</u>	<u>91%</u>
Gross profit	8.0	2.3	5.7	248%
Administrative expenses	<u>(3.7)</u>	<u>(2.1)</u>	<u>(1.6)</u>	<u>76%</u>
Operating profit	<u>4.3</u>	<u>0.2</u>	<u>4.1</u>	<u>2,050%</u>
Average number of employees	3	3	-	-%
F2 races in the year	12	11	1.0	9%
GP3 races in the year	9	8	1.0	13%

2018 saw F2 run as support events at 12 F1 GPs during the year (2017 - 10) including 4 flyaway races (2017 - 3). GP3 ran as support at 9 of the same F1 GPs during the year (2017 - 7) including 2 flyaway races (2017 - 1). There were no standalone events in 2018 (2017 - 1).

As in the prior year, 10 teams with 20 competing cars took part in F2 and 6 teams running 20 cars ran in GP3 during their respective 2018 seasons.

Revenues increased by €20.3m in 2018 to €38.6m (2017 - €18.3m) driven primarily by equipment sales at the start of the new F2 cycle. At the start of the 3 year cycle competing teams acquired the new F2 cars, comprising chassis, engine and other components from the company. Rebuild and maintenance revenues also increased, given that 2017 had been the last year of the old F2 car, which was retired at the end of that season with no season end servicing requirements arising in the prior year as a result. Revenues also grew on account of the series holding races at an additional flyaway event.

The significant €14.6m cost of sales increase in 2018 to €30.6m reflects the company's purchase of the new F2 car components from its various suppliers. Operating costs grew by €1.6m to €3.7m (2017 - €2.1m) as the company incurred for the first time various personnel and other costs which in prior years had been settled by GP2 Limited, the former Formula 1 subsidiary which had owned and operated GP2 until 2016 and GP3 until 2017, and from which the company acquired GP3 at the end of 2017.

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

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.

Formula Motorsport Limited

Strategic Report for the Year Ended 31 December 2018

Business risk

The company's principal business risk remains any threat to its ability to continue to effectively exploit F2 and, from 2019, F3, and in particular the ability to run their races as support events to rounds of the FIA Formula One World Championship® ("the Championship").

As noted, on 9 March 2017 and 20 August 2018, the company reached agreements with the FIA, the governing body of world motorsport under which the company has been granted the long term right to promote and commercially exploit F2 and F3 respectively out to 2041.

F2 and F3 will continue to benefit from close links to various Formula 1 operating companies and the FIA which oversees the running of all F2 and F3 events. Continuing good relationships with these parties are important in continuing to support the company's operations.

On 24 April 2001, SLEC Holdings Limited, a fellow Formula 1 subsidiary entered into, and funded, an agreement with the FIA, under which other Formula 1 subsidiaries acquired the FIA's commercial interests in the FIA Formula One World Championship® ("the Championship"). Under these arrangements Formula One World Championship ("FOWC") became the commercial rights holder to the Championship with effect from 1 January 2011 for a period of 100 years ending 31 December 2110.

Since the expiry on 31 December 2012 of the 2009 Concorde Agreement, the Championship continues to operate under the terms of agreements reached with the participating teams and the FIA. FOWC, in its capacity as the commercial rights holder, is party to separate binding agreements with every team currently participating in the Championship, pursuant to which those teams have committed to continue to participate in the Championship until (and including) 2020. The Group has commenced discussions with the Championship's competing teams to identify parameters for their continued participation in the Championship after the expiry of the current team agreements and is confident that through these discussions terms will be agreed for the teams to continue to participate beyond 2020.

In assessing risk, and given Formula 1 has a number of UK-based subsidiaries that operate significant elements of its business, we continue to assess the potential impact of the result of the UK's referendum on its membership of the European Union ("EU"). The UK's decision to exit the EU ("Brexit") and the ongoing negotiations as to the terms of that exit, lead to a considerable degree of uncertainty as to its potential impact on both markets generally and Formula 1's business. Amongst its risks, Brexit could impact the general economic climate and increase volatility; lead to some foreign exchange risk; create logistical challenges for UK businesses with operations in the EU; create uncertainty as to the right of employees who are EU nationals to continue to reside and work in the UK, and result in changes in the framework of taxation that may apply to transactions.

The Group has continued to monitor developments with Brexit, actively considering related risks and mitigation strategies as they emerge, and developing contingency plans as required to address any potentially adverse consequences that could arise. Whilst considerable uncertainty remains as to the final arrangements for Brexit, Formula 1's business has certain characteristics that the directors believe should significantly mitigate risk in the areas highlighted above. These include the global nature of Formula 1, as a result of which the business has a globally diverse portfolio of contracts, customers and activities, and the fact that the majority of its business is transacted in US dollars. At this time Formula 1 does not anticipate that Brexit will have a material adverse effect on its business, albeit possible logistical challenges could arise in moving staff and equipment to and from European-based races which take place during the course of a Championship season.

The directors consider that the developments and factors identified above should see F2 and F3 continue successfully, so allowing the company to mitigate its principal business risks for the foreseeable future.

Other risks

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

Approved by the Board on 20 March 2019 and signed on its behalf by:



Mr D Llowarch
Director

Formula Motorsport Limited

Directors' Report for the Year Ended 31 December 2018

The directors present their Report and the Financial Statements for the year ended 31 December 2018.

Results and dividends

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

No dividends were declared or paid during the year (2017 - €Nil).

Future developments

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

Going concern

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

Both the company and other Formula 1 subsidiaries have considerable financial resources, including access to the Group's available revolving credit facilities, together with long term contracts with a number of customers spread across different geographic areas and industries. Formula 1 is also now part of the wider Liberty group. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite ongoing uncertainties in the economic outlook.

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

Directors of the company

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

Mr D Llowarch

Ms S Woodward Hill

Mr B T S Michel

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 2019 and signed on its behalf by:



Mr D Llowarch
Director

Formula Motorsport 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.

Formula Motorsport Limited

Independent Auditor's Report to the Members of Formula Motorsport Limited

Opinion

We have audited the financial statements of Formula Motorsport Limited (the "company") for the year ended 31 December 2018 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 4.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its 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.

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

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as deferred tax and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

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

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

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

Formula Motorsport Limited

Independent Auditor's Report to the Members of Formula Motorsport Limited

- 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 6, 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.

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

20 March 2019

Formula Motorsport Limited

Profit and Loss Account for the Year Ended 31 December 2018

	Note	2018 € 000	2017 € 000
Turnover	6	38,554	18,346
Cost of sales		<u>(30,634)</u>	<u>(16,085)</u>
Gross profit		7,920	2,261
Administrative expenses		<u>(3,613)</u>	<u>(2,094)</u>
Operating profit	7	4,307	167
Gain on disposal of property, plant and equipment		<u>3</u>	<u>-</u>
Profit on ordinary activities before interest		4,310	167
Interest receivable and similar income		735	349
Interest payable and similar charges		<u>(4)</u>	<u>(136)</u>
Profit before tax		5,041	380
Tax on profit on ordinary activities	11	<u>(924)</u>	<u>(170)</u>
Profit for the financial year		<u>4,117</u>	<u>210</u>

The above results were derived from continuing operations.

Formula Motorsport Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

	2018 € 000	2017 € 000
Profit for the year	4,117	210
Other comprehensive income, net of tax		
Total comprehensive income for the year	<u>4,117</u>	<u>210</u>

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

Formula Motorsport Limited

(Registration number: 4998594)
Balance Sheet as at 31 December 2018

	Note	2018 € 000	2017 € 000
Fixed assets			
Tangible fixed assets	12	8	12
Current assets			
Stocks	13	294	191
Debtors due within one year	14	25,873	12,791
Debtors due after more than one year	15	2,569	4,021
Cash at bank and in hand	17	4	6,693
		<u>28,740</u>	<u>23,696</u>
Creditors: Amounts falling due within one year	18	<u>(12,342)</u>	<u>(11,419)</u>
Net current assets		<u>16,398</u>	<u>12,277</u>
Net assets		<u>16,406</u>	<u>12,289</u>
Capital and reserves			
Called up share capital		1	1
Profit and loss account		<u>16,405</u>	<u>12,288</u>
Shareholders' funds		<u>16,406</u>	<u>12,289</u>

Approved by the Board on 20 March 2019 and signed on its behalf by:



Mr D Llowarch
Director

Formula Motorsport Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital € 000	Retained earnings € 000	Total € 000
At 1 January 2017	1	12,078	12,079
Total comprehensive income	-	210	210
At 31 December 2017	1	12,288	12,289
Total comprehensive income	-	4,117	4,117
At 31 December 2018	1	16,405	16,406

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

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

The company is a private company limited by share capital, incorporated and domiciled in United Kingdom.

The address of its registered office is:

No. 2 St. James's Market

London

SW1Y 4AH

United Kingdom

These financial statements were authorised for issue by the Board on 20 March 2019.

2 Basis of preparation

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

The company has transitioned from EU-adopted IFRS to FRS 101 for all periods presented. There were no material amendments on the adoption of FRS 101.

The financial information is presented in Euros, the company's functional currency, and all values are rounded to the nearest thousand (€000) except where otherwise indicated.

New standards, interpretations and amendments effective

New standards, interpretations and amendments adopted by the company for the first time for its annual reporting period commencing 1 January 2018, in particular IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, and the impacts of their adoption, are discussed in note 24 "Changes in accounting policy".

In adopting IFRS 9 and IFRS 15, as allowed, comparative information presented herein for the year ended 31 December 2017 has not been restated. Accounting policies presented in note 4 and relating to the application of IFRS 9 and IFRS 15, have therefore been applied from 1 January 2018, and are noted as such. The prior accounting policies that applied to the comparative information were disclosed in full in the company's Financial Statements for the year ended 31 December 2017.

3 Disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 118(e) of IAS 38 Intangible Assets;
 - (iii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 39(c), 40A, 40B, 40C, 40D 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;

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

3 Disclosure exemptions (continued)

- 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.

4 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 in association with the F2, F3 and GP3 series and their events, principally derived from race promotion, sale of cars and spare parts, licensing of TV rights and the provision of other services. As such individual revenues relate either to (i) rights associated with an entire season, (ii) rights related to a specific event, (iii) rights related to a specific period, typically a calendar year, or (iv) the sale of other rights or services with more ad hoc performance obligations.

Revenues that relate to rights granted for an entire season are recognised evenly on an event by event basis, with revenues relating to specific events being recognised on the occurrence of the events concerned. Revenues that relate to grants of rights or licensing 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 or the goods are delivered to the customer.

The transaction price is determined by the fixed fees which are typically specified in contracts for the licensing of rights and transaction prices agreed with customers in contracts for other goods and services. Multi-year contracts will typically specify a fee for each season, event or period, falling within each year of the contract. Where 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 method ("EIR"); 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 Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

4 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 tax 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 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.

Tangible fixed assets

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The carrying value of such assets is reviewed for impairment when events or changes in circumstances indicate the 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 property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation. Such cost includes the cost of replacing parts of the property, plant and equipment. When significant parts of property, plant and equipment 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.

An item of property, plant and equipment 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
Plant, machinery and vehicles	25% straight line
Furniture, fittings and equipment	25% straight line

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

4 Accounting policies (continued)

Impairment of non-financial assets

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

Stocks

Stocks are stated at the lower of cost and net realisable value after making allowance for obsolete and slow moving stocks.

Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its net realisable value; the impairment loss is recognised immediately in the profit and loss account.

Financial instruments (post January 2018)

This policy has been applied since the adoption of IFRS 9 Financial Instruments from 1 January 2018. Adoption of IFRS 9 did not require the restatement of prior year comparatives, which were accounted for under the company's previous accounting policy for financial instruments, as disclosed in the financial statements for the year ended 31 December 2017.

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, lease receivables, 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 financial liabilities are initially measured at fair value except for trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient and which are measured at the transaction price determined under IFRS 15.

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 effective interest rate ("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.

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.

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

4 Accounting policies (continued)

(b) Impairment of financial assets

The company assesses financial assets at amortised cost, lease receivables and contract assets for impairment and recognises an impairment loss allowance to reduce 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, short term contract assets, long term trade receivables, long term contract assets 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:

Impairment loss is assessed 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.

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 to 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) 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.

(iii) Intra-group receivables

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

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

4 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 creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. 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.

Leases

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

Company as a lessee

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

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

Company as a lessor

Where the company transfers substantially all the risks and benefits of ownership of the asset, the arrangement is classified as a finance lease and a receivable is recognised for the initial direct costs of the lease and the present value of the minimum lease payments. As payments fall due, finance income is recognised in the profit and loss account so as to achieve a constant rate of return on the remaining net investment in the lease.

5 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 reversing temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

5 Judgements and key sources of estimation uncertainty (continued)

Expected credit losses (post January 2018)

IFRS 9 Financial Instruments requires a provision for expected credit losses. In order to determine the impairment provision required for financial assets, management assesses expected credit losses on a forward looking basis. Default rates are used in this calculation and management uses judgement to incorporate historical, current and forward looking information in order to set these default rates.

6 Turnover

Turnover from contracts with customers

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:

	2018 € 000	2017 € 000
F2 related income	23,575	11,337
GP3 related income	4,382	5,099
Other rights and services	10,597	1,910
	<u>38,554</u>	<u>18,346</u>

The prior year classification of revenue has been restated to ensure it is more comparable year on year.

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

7 Operating profit

Arrived at after charging/(crediting):

	2018 € 000	2017 € 000
Depreciation expense	4	4
Foreign exchange gains	(664)	(221)
Operating lease expense - property	<u>23</u>	<u>23</u>

8 Interest payable and receivable

	2018 € 000	2017 € 000
Interest receivable and similar income		
Interest income	1	9
Other finance income	<u>734</u>	<u>340</u>
Total interest receivable and similar income	<u>735</u>	<u>349</u>
Interest payable and similar charges		
Other finance costs	<u>(4)</u>	<u>(136)</u>

Other finance costs in 2017 included charges related to the company waiving a balance with its then fellow Formula 1 subsidiary GP2 Trade Marks Limited totalling £115k.

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

9 Staff costs

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

	2018 € 000	2017 € 000
Wages and salaries	416	430
Social security costs	55	56
	<u>471</u>	<u>486</u>

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

	2018 No.	2017 No.
Technical	<u>3</u>	<u>3</u>

Formula 1's principal activities are based in the UK, and its UK based employees are employed by a Group company Formula One Management Limited ("FOM"). FOM acts as a service company and recharges costs to fellow Group companies which were incurred on their behalf, including the company.

None of the directors who served during the year received emoluments for their services to the company (2017-€Nil).

10 Auditor's remuneration

	2018 € 000	2017 € 000
Audit of the financial statements	<u>21</u>	<u>21</u>
Other fees paid to auditor		
Tax advisory services	<u>-</u>	<u>11</u>

11 Taxation

Tax charged in the profit and loss account:

	2018 € 000	2017 € 000
Current taxation		
Payment to fellow Formula 1 subsidiaries for Group taxation relief	614	773
Foreign tax	<u>1</u>	<u>-</u>
Total current income tax	<u>615</u>	<u>773</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	<u>309</u>	<u>(603)</u>
Tax expense in the profit and loss account	<u>924</u>	<u>170</u>

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

11 Taxation (continued)

Tax charged to the profit and loss account differs from tax calculated by applying the average rate of corporation tax in the UK of 19.00% (2017 - 19.25%) to the result before tax for the period. The differences are reconciled below:

	2018 \$ 000	2017 \$ 000
Profit before tax	5,041	380
Corporation tax at standard rate	958	73
Effect of expense not deductible in determining taxable profit/(tax loss)	4	(5)
Non-deductible expenses relating to loan waivers between Group companies	-	22
Overseas tax suffered	1	-
(Decrease)/increase from effect of different UK current and deferred tax rates	(39)	80
Total tax charge	924	170

During 2017 the main rate of UK corporation tax reduced from 20% to 19% effective 1 April 2017. Under the Finance Act 2016, UK Corporation tax is scheduled to reduce to 17% effective 1 April 2020.

The deferred tax balances in the year have been recognised at the rate at which they are expected to unwind.

Deferred tax assets and liabilities

	2018 Asset € 000	2017 Asset € 000
Accelerated tax depreciation	2,569	2,878
	2,569	2,878

Deferred tax movement during the year

	Accelerated tax depreciation € 000	Net tax assets/ (liabilities) € 000
At 1 January 2017	2,275	2,275
Recognised in income	603	603
At 31 December 2017	2,878	2,878
Recognised in income	(309)	(309)
At 31 December 2018	2,569	2,569

A deferred tax asset has been recognised in respect of deductible temporary differences because the company expects to make sufficient taxable profits in future periods against which those differences will be offset.

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

12 Tangible fixed assets

	Plant, machinery and vehicles € 000	Furniture, fittings and equipment € 000	Total € 000
Cost or valuation			
At 1 January 2018	585	273	858
Disposals	(40)	-	(40)
At 31 December 2018	545	273	818
Depreciation			
At 1 January 2018	582	264	846
Charge for the year	1	3	4
Eliminated on disposal	(40)	-	(40)
At 31 December 2018	543	267	810
Carrying amount			
At 31 December 2018	2	6	8
At 31 December 2017	3	9	12

13 Stocks

	2018 € 000	2017 € 000
Finished goods and goods for resale	294	191

14 Debtors due within one year

	2018 € 000	2017 € 000
Trade debtors	7,186	7,866
Provision for impairment of trade debtors	(3,974)	(5,299)
Net trade debtors	3,212	2,567
Amounts due from other Formula 1 companies	15,349	567
Accrued income	885	345
Prepayments	1,818	7,359
Finance lease debtors	4,068	1,116
Other tax recoverable	541	837
Total debtors due within one year	25,873	12,791

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

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

14 Debtors due within one year (continued)

No expected credit loss ("ECL") has been provided on amounts due from other Formula 1 companies because under the simplified approach for trade receivables, the probability of default is considered to be extremely remote on the basis that Formula 1 has considerable financial resources. Therefore the ECL in the next 12 months is deemed to be immaterial and so no impairment has been recognised.

In addition no ECL has been provided on accrued income and finance lease 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 limited and the ECL in the next 12 months is deemed to be immaterial so no impairment has been recognised.

15 Debtors due after more than one year

	Note	2018 € 000	2017 € 000
Prepayments		-	1,143
Deferred tax assets	11	2,569	2,878
Total debtors due after more than one year		<u>2,569</u>	<u>4,021</u>

Details of non-current debtors

\$Nil (2017-\$1.1m) of prepayments are classified as non-current, with prior year amounts relating to a finance lease agreement between the company and F2 teams which were released in the current period.

\$2.6m (2017-\$2.9m) of deferred tax assets are classified as non-current.

16 Finance leases

The company acts as a lessor in connection with finance leases relating to engines used by the F2 and the new F3 participant teams. In addition, 2018 was the first year the company also acted as finance lessor in relation to the new F2 complete chassis, which were used by competing F2 teams in the current supply agreement. The company recognises a receivable in the amount of the net investment in the lease. The lease payments made by the lessees are split into an interest component and a principal component using the effective interest method. The lease receivable is reduced by the principal received. The interest component of the payments is recognised as finance income in the profit and loss account.

The amount of the net investment in a finance lease is determined as shown in the following table:

	2018 € 000	2017 € 000
Minimum lease payments	4,251	1,187
Unguaranteed residual value	<u>-</u>	<u>-</u>
Gross investment	4,251	1,187
Unearned finance income	<u>(183)</u>	<u>(71)</u>
Net investment (present value of minimum lease payments)	<u>4,068</u>	<u>1,116</u>

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

16 Finance leases (continued)

The gross investment amount and the present value of payable minimum lease payments are shown in the following table:

	2018 € 000		2017 € 000	
Maturity	Gross investment in lease	PV of minimum lease payments	Gross investment in lease	PV of minimum lease payments
Within one year	2,398	2,241	1,187	1,116
Later than one year and not later than five years	1,853	1,827	-	-
	<u>4,251</u>	<u>4,068</u>	<u>1,187</u>	<u>1,116</u>

The cost of the assets acquired for the purpose of letting under finance leases was €8.4m (2017- €5.6m).

Aggregate rentals receivable during the year in respect of finance leases was €3.64m (2017- €5.2m).

17 Cash and cash equivalents

	2018 € 000	2017 € 000
Cash at bank and in hand	<u>4</u>	<u>6,693</u>

From January 2018 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 Formula One World Championship Limited ("FOWC"), the subsidiary that acts as principal to the arrangement. Intra-group receivables or payables with FOWC are then recognised accordingly.

18 Creditors: Amounts falling due within one year

	2018 € 000	2017 € 000
Trade creditors	4,906	6,496
Accrued expenses	4,156	1,848
Amounts due to other Formula 1 companies	1,775	1,659
Other payables	759	390
Deferred income	746	1,026
	<u>12,342</u>	<u>11,419</u>

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

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

19 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No. 000	€ 000	No. 000	€ 000
1000 Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

20 Obligations under leases and hire purchase contracts

Operating leases

The company held a commercial lease on a building used for storage which was renewed for a further 6 years from 1 January 2016. The lease is cancellable with 6 months written notice. There were no restrictions placed upon the company by this lease.

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

	2018	2017
	€ 000	€ 000
Within one year	<u>12</u>	<u>12</u>

21 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was €Nil (2017 - €Nil).

In order to optimise cash flow the company enters into consignment stock arrangements in relation to the purchase of certain parts to be sold on to participating teams. The risks and rewards of ownership remain substantially with the supplier until the point of sale. The total amount of consignment remain substantially with the supplier until the point of sale. The total amount of consignment stock held by the company at the year end was €1.6m (2017-€1.6m).

22 Related party transactions

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

23 Parent and ultimate parent undertaking

The company's immediate parent undertaking is Alpha Topco Limited, a company incorporated in Jersey and for which financial statements are not publicly available. Alpha Topco Limited is owned by a wholly owned subsidiary of Liberty Media Corporation.

As at the balance sheet date Liberty Media Corporation, 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 Media Corporation's consolidated accounts are publicly available from 12300 Liberty Blvd, Englewood, CO 80112, USA. Liberty Media Corporation is considered to be, in the opinion of the directors, the ultimate parent undertaking of the company.

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

24 Changes in Accounting policy

New standards, interpretations and amendments effective

IFRS 9 and IFRS 15 have been applied for the first time from 1 January 2018 and have had an effect on the financial statements as discussed below. None of the other standards, interpretations and amendments effective for the first time from 1 January 2018 have had a material effect on the financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments, being classification and measurement; impairment; and hedge accounting.

The company applied IFRS 9 retrospectively (ie the new requirements have been applied to transactions, other events and conditions as if those requirements had always been applied) with an initial application date of 1 January 2018. The company has not restated the comparative information presented herein for the prior year, as allowed under IFRS 9, and which continues to be reported under IAS 39.

In accordance with IFRS 9, the standard has not been applied to financial assets and liabilities that have been derecognised at the date of initial application.

The effect of adopting IFRS 9 at 1 January 2018, and the changes resulting are detailed below:

a) Classification and measurement

Trade receivables, receivables from related parties, accrued income, finance lease receivables, other receivables and cash and cash equivalents classified as loans and receivables as at 31 December 2017 have been classified and measured as Financial assets at amortised cost.

b) Impairment

The adoption of IFRS 9 has changed the company's policy on accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the company to recognise an allowance for ECL's for all debt instruments not held at fair value through profit or loss and contract assets. After due consideration no additional provisions for impairment of financial assets were required as a result of applying the ECL provisions of IFRS 9. Therefore there has been no impact on the financial statements at 1 January 2018 or 31 December 2018.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the company and resulted in no adjustment to retained earnings at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018 and applied IFRS 15 only to contracts that were not completed contracts at the date of initial application.

The adoption of IFRS 15 did not have a significant effect on the company and resulted in no adjustment to retained earnings at 1 January 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and related interpretations.

There was no balance sheet effect of adopting IFRS 15 at 1 January 2018.

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

24 Changes in Accounting policy (continued)

The adoption of IFRS 15 had no effect on the Profit and Loss Account or Statement of Other Comprehensive Income for the year ended 31 December 2018. The impact of applying IFRS15 on the Balance Sheet as at 31 December 2018 is shown in the table below.

Upon adoption of IFRS 15, an adjustment was made to reduce trade debtors and deferred income for amounts invoiced in advance. Further details of the adjustments are shown below and discussed in note A.

Reconciliation of the Balance Sheet at 31 December 2018

	Note	As prepared under IAS 18 \$ 000	Increase /(decrease) \$ 000	As prepared under IFRS 15 \$ 000
Fixed assets				
Tangible fixed assets		8	-	8
Current assets				
Stocks		294	-	294
Debtors due within one year	A	25,922	(49)	25,873
Debtors due after more than one year		2,569	-	2,569
Cash at bank and in hand		4	-	4
		<u>28,789</u>	<u>(49)</u>	<u>28,740</u>
Creditors: Amounts falling due within one year	A	<u>(12,391)</u>	<u>49</u>	<u>(12,342)</u>
Net current assets/(liabilities)		<u>16,398</u>	<u>-</u>	<u>16,398</u>
Net assets/(liabilities)		<u>16,406</u>	<u>-</u>	<u>16,406</u>
Capital and reserves				
Share capital		1	-	1
Profit and loss account		<u>16,405</u>	<u>-</u>	<u>16,405</u>
Shareholders' funds/(deficit)		<u>16,406</u>	<u>-</u>	<u>16,406</u>

Notes to the Reconciliation of the Balance Sheet at 31 December 2018

The notes below reference to the table above, and compare the treatment under the old IAS 18 and related interpretations with the new treatment under IFRS 15.

A Reversal of Trade debtors and Deferred income

The company often invoices in advance of contractual due dates and in advance of the period, race or season to which the rights grant or sale relates, and these amounts can straddle the financial year end. No services have been provided in relation to these amounts at the end of the financial year and historically the company has included all such amounts in trade debtors and deferred income. Amounts not contractually due at the Balance Sheet date have been reversed out of trade debtors and deferred income.