

Company Registration No. 08412477

Formula E Operations Limited

Annual Report and Financial Statements

For the year ended 31 July 2017



Formula E Operations Limited

Annual report and financial statements for the year ended 31 July 2017

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Formula E Operations Limited

Officers and professional advisers

Directors

Alejandro Agag Longo

Alberto Luis Alvarez de Sotomayor Longo

Michael Papadimitriou

Registered Office

3 Shortlands

9th Floor

Hammersmith

London W6 8DA

Auditor

Deloitte LLP

Statutory Auditor

London

United Kingdom

Formula E Operations Limited

Strategic report

The directors present their strategic report for the year ended 31 July 2017.

Review of the business

The Company is part of the Formula E Group (the "Group") which was granted the exclusive FIA right to organise a single-seater electric motor racing championship for 25 years from 2013. Low-noise, low-emission electric power enables cars to be raced in iconic, international city centres and be accessible to all generations. It was built on demand from car manufacturers, cities and brands looking to promote and associate themselves with green energy, sustainability and innovation. It has a unique linear and digital media product and is well-positioned as a pioneering sports entertainment property.

The directors believe the third racing season, which was completed during the financial year, was successful and managed to increase interest in the Championship. This should reflect in increased sponsorship revenue streams as well as broadcasting and advertising revenues going forward.

The financial performance of the series is expected to continue to improve and this view is backed by the successful, and oversubscribed, raise of additional capital over the last twelve months to underpin the company, with both existing and new investors contributing. The series continues to enjoy the full backing of its wider ecosystem: sponsors have increased repeat business and activation, the pipeline of potential cities grows and manufacturers are vying for the final slots on the grid.

Key performance indicators

The results are set out on pages 10 to 13. The loss for the year ended 31 July 2017 is €20,789,096 (2016: €35,248,099) and net liability position is €127,959,965 (2016: €107,170,869).

Twelve races at nine locations (including three double-header racing events in Berlin, New York and Montreal) were staged. Over 220,000 people (2016: 270,000) attended the races, 223 million (2016: 192 million) viewers watched on TV and the series generated over 6.7 billion (2016: 4.4 billion) social media impressions.

To date considerable progress has been made in attracting backing from key stakeholders:

- A top-quality driving pool with F1 pedigree (Prost, Piquet, Buemi, De Grassi)
- Teams with strong industry and racing credentials and funding (Virgin, Andretti, Dragon)
- Major manufacturer support (BMW, Audi, Citroen DS, Jaguar, Mahindra, Renault/Nissan) and, from season 6, Mercedes and Porsche
- Specialist electric vehicle manufacturers (Nio (China), Venturi (Monaco))
- Global investors from media (Liberty Global, Discovery Communications), sports (Causeway Media Partners) and technology (Qualcomm)
- Established international media partners (Channel 5, ARD/ZDF, Eurosport, Fox Sports, Mediaset); and
- Big name sponsors (Allianz, DHL, Julius Baer, Hugo Boss, Michelin, Mumm, Qatar Airways, Tag Heuer, VISA).

The Company experienced a significant increase in revenues as result of the completed restructuring of the Group in which the majority of sponsorship and broadcasting agreements were novated to the Company from another group entity in the prior year. The operating loss has therefore decreased from €33.7 million to €20.6 million in 2016 and 2017, respectively.

Formula E Operations Limited

Strategic report (continued)

Principal risks and uncertainties

As a principal risk of the Company, the directors consider the potential creation of a similar electric car racing championship that could limit sponsorship interest and audience, and therefore limit the growth of the Formula E Championship. As the Formula E Group holds the only single-seater all-electric licence issued by the FIA, this risk would come from other categories only.

An important factor in the success of the whole Group is generating interest from manufacturers to enter the Championship. Over the past year, Mercedes, Porsche and Nissan have been added to the roster, leading Formula E to have one of the most respected group of manufacturers in motorsport. As with the World Endurance Championship (WEC) and Deutsche Tourenwagen Masters (DTM), there is a risk in these manufacturers leaving at some point in the future.

Further risks are apparent in the changing city line-up. Organising races on city streets bring its own challenges but as city street racing is part of the DNA of the series and holds appeal to a broad market audience, the Group continues to pursue effective city/promoter agreements.

Additional risks to profitability include the Company's exposure to foreign exchange movements as it organises events worldwide. These can be, however, mitigated by entering into natural as well as future hedging arrangements.

We believe that the attractiveness of electric city street racing holds appeal to a broad market audience, and establishes the unique nature of the Championship.

Approved by the Board of directors
and signed on behalf of the Board:



Alejandro Agag Longo
Director, 6 February 2018

Formula E Operations Limited

Directors' report for the year ended 31 July 2017

The directors present the annual report and the audited financial statements for the year ended 31 July 2017.

Principal activities

The principal activity of the Company is the management of motorsport in connection with the Formula E World Championship ("Formula E" or "the Championship") and its events under long-term agreements with the Federation Internationale de l'Automobile ("FIA").

The Company started and successfully completed the third season of races during the year. The 2016/2017 Championship calendar consisted of twelve racing events across nine locations (2016: ten racing events across nine locations). The directors consider the performance of the Company during the year to be satisfactory and in line with expectations.

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Results and dividend

The Company has successfully finished the third season of racing electric cars during the financial year as well as completed another round of funding.

The results of the Company are included in the financial statements on pages 10 to 34.

The directors do not recommend the payment of a dividend (2016: £nil).

Future developments

With the Company having commenced the Championship and undertaking the exploitation of the commercial rights to the Championship, the directors consider the Company to be well positioned to perform satisfactorily in the future.

Directors

The directors who served throughout the year were:

Alejandro Agag Longo

Alberto Luis Alvarez de Sotomayor Longo

Michael Papadimitriou

During the year ended 31 July 2017, the Company's ultimate parent company, Formula E Holdings Limited maintained insurance for the directors to indemnify them against certain liabilities which they may incur in their capacity as directors or officers of the Company, including liabilities in respect of which the Company itself is unable to provide an indemnity.

The directors' report has been prepared in accordance with the requirements of the Companies Act 2006.

Formula E Operations Limited

Directors' report for the year ended 31 July 2017 (continued)

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the Board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

The financial risks identified above have been considered as part of the Company's financial risk management strategy, which is documented in note 22 of these financial statements.

Going concern

The Company is a wholly-owned subsidiary of Formula E Holdings Limited (the "Group"). The Company incurred significant losses in the amount of €20.8 million (2016: €35.2 million) during the year and reported net liabilities in the amount of €128.0 million (2016: €107.2 million) at the end of the financial year. As the commercial rights holder to the Championship, the Group has considerable financial resources together with long-term contracts with a number of customers spread across different geographic areas and industries. The Group successfully closed another round of funding, raising approximately €33 million during the financial year. As a consequence the directors believe the Group and Company is well placed to manage its business risks successfully, despite the ongoing uncertain economic outlook, and the Group and Company has adequate resources available to continue its operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing its annual report and financial statements.

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Subsequent events

The Group also raised additional €10.5 million of equity in November 2017. The consideration was partially used to repurchase back some of the base shares from the CEO of the Group for €5 million in December 2017.

The Company also incorporated a subsidiary in Chile in order to support the racing event in Santiago de Chile.

Auditor

Deloitte LLP were re-appointed as auditor in the year and will be deemed to be reappointed in accordance with Section 487(2).

Approved by the Board of directors
and signed on behalf of the Board



Alejandro Agag Longo
Director, 6 February 2018

Formula E Operations Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

Independent auditor's report to the members of Formula E Operations Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Formula E Operations Limited (the 'Company') which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity;
- the statement of cash flows;
- the statement of accounting policies; and
- the related notes 2 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Formula E Operations Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Independent auditor's report to the members of Formula E Operations Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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


In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.



Makhan Chahal ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
6 February 2018

Formula E Operations Limited

Income statement

For the year ended 31 July 2017

	Notes	2017 €	2016 €
Continuing operations			
Revenue	2	94,471,734	56,607,216
Cost of sales		(104,910,790)	(81,229,639)
Gross loss		<u>(10,439,056)</u>	<u>(24,622,423)</u>
Administrative expenses		(10,178,780)	(9,119,560)
Operating loss	3	(20,617,836)	(33,741,983)
Financial income	7	277,830	2,629
Financial costs	7	-	(816,925)
Foreign exchange loss		(449,090)	(691,820)
Loss before tax		<u>(20,789,096)</u>	<u>(35,248,099)</u>
Taxation	8	-	-
Total comprehensive loss for the year		<u>(20,789,096)</u>	<u>(35,248,099)</u>

The above results were derived from continuing operations.

The accompanying notes on pages 14 to 34 are an integral part of the Income statement.

The Company had no other recognised gains or losses for the year other than the results above and therefore no separate statements of comprehensive income has been presented.

Formula E Operations Limited

Balance sheet

As at 31 July 2017

	Notes	2017 €	2016 €
Non-current assets			
Intangible assets	9	1,322,654	2,049,190
Property, plant and equipment	10	15,372,320	17,930,872
Trade and other receivables	11	92,704	98,183
		<u>16,787,678</u>	<u>20,078,245</u>
Current assets			
Inventories	12	1,294,587	1,302,621
Trade and other receivables	11	34,334,499	18,902,752
Cash and cash equivalents	13	6,635,878	10,613,487
		<u>42,264,964</u>	<u>30,818,860</u>
Current liabilities			
Trade and other payables	14,15	(42,452,966)	(24,469,300)
Amounts owed to parent company	14	(144,559,641)	(133,598,674)
Net current liabilities		<u>(144,747,643)</u>	<u>(127,249,114)</u>
Total assets less Current liabilities		<u>(127,959,965)</u>	<u>(107,170,869)</u>
Net assets		<u>(127,959,965)</u>	<u>(107,170,869)</u>
Equity			
Capital and reserves			
Share capital	17	1	1
Retained earnings		(121,516,761)	(100,727,665)
Exchange reserve		(6,443,205)	(6,443,205)
Total deficit		<u>(127,959,965)</u>	<u>(107,170,869)</u>

The financial statements of Formula E Operations Limited, registered number 08412477 were approved by the Board of directors on 6 February 2018.

Signed on behalf of the Board of directors



Alejandro Agag Longo
Director

Formula E Operations Limited

Statement of changes in equity Year ended 31 July 2017

	Share capital €	Retained earnings €	Exchange reserve €	Total equity €
Balance as at 31 July 2015	1	(65,479,566)	(6,443,205)	(71,922,770)
Loss and total comprehensive loss for the year ended 31 July 2016	-	(35,248,099)	-	(35,248,099)
Balance as at 31 July 2016	1	(100,727,665)	(6,443,205)	(107,170,869)
Loss and total comprehensive loss for the year ended 31 July 2017	-	(20,789,096)	-	(20,789,096)
Balance as at 31 July 2017	1	(121,516,761)	(6,443,205)	(127,959,965)

The exchange reserve was created to reflect the impact of the change in functional currency of the Company from GBP to Euros on the translation.

The accompanying notes on pages 14 to 34 are an integral part of this Statement of changes in equity.

Formula E Operations Limited

Statement of Cash flows Year ended 31 July 2017

	Notes	2017 €	2016 €
Cash flows from operating activities			
Cash generated from operations	18	(10,053,210)	(25,384,517)
Interest paid		-	(22)
Interest received		7,659	2,629
Net cash used in operations		<u>(10,045,551)</u>	<u>(25,381,910)</u>
Investing activities			
Purchase of intangible assets		(327,761)	(2,309,486)
Payment to acquire property, plant and equipment		(4,875,719)	(12,407,969)
Proceeds from sale of property, plant and equipment		120,000	1,084,647
Net cash used in investing activities		<u>(5,083,480)</u>	<u>(13,632,808)</u>
Financing activities			
New loans and advances		10,960,967	45,631,129
Net cash generated by financing activities		<u>10,960,967</u>	<u>45,631,129</u>
Cash and cash equivalents at beginning of year		10,613,487	3,235,544
Net (decrease) increase in cash and cash equivalents		(4,168,064)	6,616,411
Foreign exchange		190,455	761,532
Cash and cash equivalents at end of year	13	<u>6,635,878</u>	<u>10,613,487</u>

Formula E Operations Limited

Notes to the financial statements **Year ended 31 July 2017**

1. Accounting policies

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

Basis of preparation

Formula E Operations Limited is a private company limited by shares, which is domiciled in the UK. The Company was incorporated in England and Wales.

The financial statements have been prepared in accordance with IFRS and under the historical cost convention with the exception of certain financial instruments that are held at fair value. These policies have been consistently applied for all of the periods presented.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. However, no judgements or estimates have been made that management consider to have a significant effect on the amounts recognised in the financial statements.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

Revenue recognition

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

Turnover is principally derived from the sale of race promotion, the licensing of other rights, and the provision of other services in connection with the Championship and its events. The turnover from granting rights to host, stage and promote the Championship events is recognised upon occurrence of the event. The turnover for other event derived revenues is recognised on occurrence of the events to which the underlying contract relates.

Interest income is accrued on a time basis.

Formula E Operations Limited

Notes to the financial statements (continued)

Year ended 31 July 2017

1. Accounting policies (continued)

Intangible assets

Intangibles are capitalised and stated at cost less amortisation and accumulated impairment losses. The management performs an annual impairment review for indicators such as technological obsolescence and impact of changes to the racing calendar. Amortisation is provided at rates calculated to write off the cost of intangible assets over their useful lives on the following bases:

Software	-	3-4 years' straight-line
Intellectual property rights	-	3-4 years' straight-line
Cars intangible	-	4 years' straight-line
Trademarks	-	10 years' straight line / licencing period

Plant property and equipment

Plant property and equipment is stated at cost less depreciation and accumulated impairment losses. The management performs an annual impairment review for indicators such as technological obsolescence and impact of changes to the racing calendar. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

IT equipment	-	3 years' straight-line
Car Equipment	-	4 years' straight-line
Office equipment	-	5 years' straight-line
Race equipment	-	5 years' straight-line
Other installations	-	5 years' straight-line

Inventories

Inventories are valued at the lower of cost and net realisable value, after making allowance for obsolete and slow-moving stocks. Cost is based on the external acquisition costs.

Financial instruments

Financial assets and liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IAS 39 'Financial instruments: Recognition and measurement'.

Financial assets

The Company's financial assets comprise trade and other receivables and cash and cash equivalents.

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due. Any provision against trade and other receivables is recognised as a charge to the Income statement.

Financial liabilities

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Formula E Operations Limited

Notes to the financial statements (continued)

Year ended 31 July 2017

1. Accounting policies (continued)

Fair Value

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Share based scheme

The Group adopted a share option scheme whereby certain employees were invited to take up options to subscribe for growth shares of the Company. The purpose of this Employee Share Scheme is to provide an opportunity for employees to acquire an equity participation in the Company and to encourage them to work towards enhancing its value. The Group has no obligation to settle the awards in cash, the shares are settled in equity on the vesting date. The award of the shares needs to be recognised as an expense based on the estimated fair value of the share-based payments made. The awards should be fair valued at the date of issue and the calculation of the fair value not adjusted at a later date (except where there is a modification to the terms of the award). Whilst the award of growth shares is not a share option, the terms of these shares effectively replicate those of a market value (or premium priced) share option (i.e. to the extent share value increases above the hurdle the holders of the growth shares will realise value, but to the extent the share value falls below the hurdle the participants do not realise a significant loss). As the shares are not publicly traded, the fair value of the options granted was estimated by applying an option pricing model, in this case a Black-Scholes model.

This expense would normally be recognised over the vesting period of the shares, from the issue date to the expected vesting date (being the date of an expected realisation event). The recognition of fair value is normally adjusted if the holder of the shares ceases to be an employee during the vesting period. Further details are given in note 16.

Income taxes, including deferred income taxes

Income tax payable on profits is recognised as an expense in the year in which profits arise. The tax effects of income tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Expected future tax rates are used in the determination of deferred income tax. A deferred tax asset is only recognised when it is anticipated that there will be sufficient future taxable profits to offset the asset against.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Formula E Operations Limited

Notes to the financial statements (continued)

Year ended 31 July 2017

1. Accounting policies (continued)

Foreign currencies

Transactions in the foreign currency of the Company are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the historical rate prevailing at the date of the transaction. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

New standards and interpretations

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

IFRS 1 'First-time Adoption' (amended)
IAS 32 'Financial Instruments: Presentation' (amended)
IFRS 9 'Financial Instruments'
IFRS 7 'Financial Instruments: Disclosures' (amended)
IAS 12 'Income Taxes' (amended)
IFRS 11 'Joint Arrangements'
IFRS 12 'Disclosure of Interests in Other Entities'
IFRS 13 'Fair value measurement'
IAS 28 'Associates and Joint Ventures' (revised)
IFRS 13 'Fair Value Measurement'
IAS 19 'Employee Benefits' (amended)
IFRS 14 'Regulatory Deferral Accounts'
IFRS 15 'Revenue from Contracts with Customers'

The full impact of these pronouncements is being assessed by the Company. However, the initial view is that the directors anticipate that the future adoption of those standards, interpretations and amendments listed above, will not have a material impact on the financial statements.

Amendments to IFRS and new interpretations which were mandatory effective during the current year have not had a material impact.

Impairment

At each balance sheet date the Company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Formula E Operations Limited

Notes to the financial statements (continued)

Year ended 31 July 2017

1. Accounting policies (continued)

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2. Revenue

An analysis of the Company's revenue is as follows:

	2017 €	2016 €
Continuing operations		
Sponsorship revenues	46,917,782	25,757,910
Rendering of services to racing teams and local race promoters	28,644,588	16,566,094
Broadcasting and other race related revenue	18,789,364	13,184,710
Sale of assets	120,000	1,098,502
Total revenue	94,471,734	56,607,216

The Company is exempt from the requirements of IFRS 8 to disclose segment information. Service income included rental charges and other recharges invoiced to teams partaking in races.

Formula E Operations Limited

Notes to the financial statements (continued) Year ended 31 July 2017

3. Operating loss

Operating loss has been arrived at after charging/(crediting):

	2017 €	2016 €
Depreciation	7,333,268	5,001,351
Amortisation	832,735	459,085
Staff costs (see note 5)	9,935,646	7,729,599
Loss / (Gain) on disposal of fixed assets	202,565	(81,475)
Restructuring costs	-	89,374
Auditor's remuneration for audit services (see note 4)	138,906	48,108
Impairment of trade receivables / (release of bad debt provision)	375,103	(574,199)
Intercompany recharges and royalties (receivable from) / payable to parent company	(699,250)	2,426,656

Intercompany recharges and royalties were incurred in accordance with the intercompany relationships and agreements.

Payments under operating leases recognised as an expense in the year were €220,054 (2016: €282,066), the contract ends in March 2019 and is payable on a quarterly basis.

4. Auditor's remuneration

	2017 €	2016 €
Audit services		
- statutory audit fees	88,629	48,108
- other audit fees	50,277	-
Tax advisory fees	55,525	123,610
Other advisory fees	20,374	34,609
Total	214,805	206,327

No amounts for other services have been paid to the auditor (2016: €nil).

5. Staff costs

The average monthly number of employees (including executive directors) employed by the Company was 87 (2016: 74), split into the following areas:

	2017	2016
Event operations	30	23
Sales, Marketing and Media	35	29
Administration (Legal, Finance, HR and other)	22	22
Total	87	74

Formula E Operations Limited

Notes to the financial statements (continued)

Year ended 31 July 2017

5. Staff costs (continued)

Their aggregate remuneration comprised:

	2017 €	2016 €
Wages and salaries (including Employee Share Scheme)	6,691,253	5,083,491
Social security costs and payroll tax	2,280,077	2,646,108
Other staff costs	964,316	-
	<u>9,935,646</u>	<u>7,729,599</u>

6. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2017 €	2016 €
Salaries and fees (without the impact of Employee Share Scheme accretion)	1,125,139	1,283,518
	<u>1,125,139</u>	<u>1,283,518</u>

No directors have accrued benefits under Company pension schemes.

An option pool of 4,251 Growth shares was created during the previous financial year in order to provide incentives to directors and eligible employees with an additional allocation of 395 Growth shares reserved for the CEO of the Group and Company. During the year, 626 (2016: 2,108) such shares were allotted and issued to existing employees – see note 16 for more details.

The highest paid individual director's remuneration (excluding the impact of Employee Share Scheme accretion) was €404,199 (2016: €461,440). No Growth shares were allocated to that director during the financial year (2016: 1,166).

As of 31 July 2017, the CEO of the Company has an outstanding balance of €13,866 (2016: Nil) due to various recharges between the Company and the CEO. The amount due is non-interest bearing.

Formula E Operations Limited

Notes to the financial statements (continued)

Year ended 31 July 2017

7. Financial income and costs

	2017 €	2016 €
Interest income	7,659	2,629
Financial gain from gain on derivatives	270,171	-
Financial income	277,830	2,629
Financial loss from loss on derivatives	-	(816,903)
Finance costs	-	(22)
Financial costs	-	(816,925)

8. Taxation

	2017 €	2016 €
Continuing operations		
Current tax:		
UK corporation tax	-	-
Deferred tax		
Current year charge	-	-
Total tax charge	-	-

Corporation tax is calculated at 19.67% following a decrease in tax rate from April 1, 2017 (2016: 20%) of the estimated assessable profit for the year.

The charge for the year can be reconciled to the loss per the Income statement as follows:

	2017 £	2016 €
Loss before tax:	(20,789,186)	(35,248,099)
Tax at the UK corporation tax rate of 19.67% (2016: 20.0 %)	4,089,233	7,432,426
Non-deductible expenses	(57,664)	(22,849)
Deferred tax not provided	(4,031,569)	(7,409,577)
Other	-	-
Total tax charge	-	-

The Company has not recognised a deferred tax asset of approximately €17.9 million (2016: €17.1 million) of tax losses carried forward due to insufficient certainty of future profits.

The reductions in the main rate of corporation tax were enacted from 20% to 19% effective from 1 April 2017 and to 17% effective from 1 April 2020. The relevant applicable rate reduction is reflected in the estimates in accordance with IAS 10.

Formula E Operations Limited

Notes to the financial statements (continued) Year ended 31 July 2017

9. Intangible assets

	Trademarks €	Cars – Intangible €	Intellectual property (i) €	Software €	Total €
Cost					
At 31 July 2015	-	-	24,000	329,126	353,126
Additions	87,160	-	331,945	347,385	766,490
Transfer from holding company	618,626	710,959	144,769	68,642	1,542,996
Disposals	-	-	(76,179)	-	(76,179)
At 31 July 2016	705,786	710,959	424,535	745,153	2,586,433
Additions	124,968	-	-	202,793	327,761
Disposals	-	-	-	(453,416)	(453,416)
At 31 July 2017	830,754	710,959	424,535	494,530	2,460,778
Amortisation					
At 31 July 2015	-	-	1,200	92,166	93,366
Amortisation	50,062	160,543	57,778	190,702	459,085
Disposals	-	-	(15,208)	-	(15,208)
At 31 July 2016	50,062	160,543	43,770	282,868	537,243
Amortisation (ii)	99,951	275,216	147,968	309,600	832,735
Disposals	-	-	-	(231,854)	(231,854)
At 31 July 2017	150,013	435,759	191,738	360,614	1,138,124
Net book value					
At 31 July 2017	680,741	275,200	232,797	133,916	1,322,654
At 31 July 2016	655,724	550,416	380,765	462,285	2,049,190

(i) The intellectual property asset relates to a logo designed by an external company and race track designs.

(ii) The amortisation charge is included within administrative expenses.

Formula E Operations Limited

Notes to the financial statements (continued)

Year ended 31 July 2017

10. Property, plant and equipment

	Office & IT equipment €	Car equipment €	Race equipment €	Other installation €	Total €
Cost					
At 31 July 2015	1,150,809	1,590,057	7,970,948	3,825,716	14,537,530
Additions	-	149,267	2,878,825	32,399	3,060,491
Transfer from a holding company	-	9,626,267	593,176	83,036	10,302,479
Disposals	(3,685)	(990,401)	(2,186,140)	-	(3,180,226)
At 31 July 2016	1,147,124	10,375,190	9,256,809	3,941,151	24,720,274
Additions	-	428,500	4,447,219	-	4,875,719
Disposals	-	(86,564)	-	(83,036)	(169,600)
At 31 July 2017	1,147,124	10,717,126	13,704,028	3,858,115	29,426,393
Depreciation					
At 31 July 2015	311,430	432,272	526,831	529,639	1,800,172
Charge for the year	308,417	2,387,223	1,827,527	478,184	5,001,351
Disposals / Other adjustments	-	527,698	(534,369)	(5,450)	(12,121)
At 31 July 2016	619,847	3,347,193	1,819,989	1,002,373	6,789,402
Charge for the year	220,903	3,902,321	1,733,050	1,476,994	7,333,268
Disposals / Other adjustments	-	-	-	(68,597)	(68,597)
At 31 July 2017	840,750	7,249,514	3,553,039	2,410,770	14,054,073
At 31 July 2017	306,374	3,467,612	10,150,989	1,447,345	15,372,320
At 31 July 2016	527,277	7,027,997	7,436,820	2,938,778	17,930,872

Depreciation of fixed assets is included within administrative expenses as well as the costs associated with disposal or write-off.

In previous years, certain electric equipment items within Race Equipment were amortised over 10 years. With effect from 1 August 2016 their useful economic life has been reduced to 4 years to reflect the development in technology of charging infrastructure. The revised useful economic life has resulted in an increase in depreciation charge for the year of €991,382.

Formula E Operations Limited

Notes to the financial statements (continued)

Year ended 31 July 2017

11. Trade and other receivables

	2017 €	2016 €
Non-Current		
Financial assets - rental deposits	92,704	98,183
Current		
Trade receivables	23,216,984	10,570,496
Prepayments	1,045,911	3,096,902
VAT receivable	1,606,361	1,631,040
Accrued income and other receivable	8,465,243	3,604,314
	<u>34,334,499</u>	<u>18,902,752</u>

An allowance for trade receivables was recorded in the value of €530,058 (2016: €154,955) where, in the opinion of the directors, trade receivables are not recoverable at their book value. Any trade receivables where it is felt that recovery of the debt is uncertain are provided against in full. Trade receivables are stated net of related allowances for non-recoverable debts.

The directors consider that the carrying amount of loans and receivables, after taking account of related allowances, approximates to their fair value.

"Trade and other receivables" and "Cash and cash equivalents" constitute the financial assets within the category "Loans and receivables" as defined by IAS 39.

Trade receivables are non-interest bearing and generally have 30 day credit terms.

As at 31-July 2017, trade receivables of €10,415,194 (2016: €4,692,072) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2017 €	2016 €
Up to 30 days past due	2,287,328	1,982,367
30 to 60 days past due	1,108,749	607,311
60 or 90 days past due	663,891	1,259,339
Over 90 days past due	882,612	843,055
	<u>4,942,580</u>	<u>4,692,072</u>

The movement in the provision for impairment of trade receivables were as follows:

	2017 €	2016 €
At 1 August	154,955	729,154
Charge / (release) for the year	375,103	(574,199)
At 31 July	<u>530,058</u>	<u>154,955</u>

The other classes within trade and other receivables do not contain impaired assets.

Formula E Operations Limited

Notes to the financial statements (continued) Year ended 31 July 2017

12. Inventories

	2017 €	2016 €
Raw materials	1,294,587	1,302,621
	<u>1,294,587</u>	<u>1,302,621</u>

The total inventory recognised in cost of sales during the year is €4,155,091 (2016: €3,370,262). The amount above contains an inventory impairment provision in the amount of €833,209 (2016: €833,209).

13. Cash and cash equivalents

	2017 €	2016 €
Cash at bank and in hand	6,635,878	10,613,487
	<u>6,635,878</u>	<u>10,613,487</u>

The directors consider that the carrying amount of these assets approximates to their fair value.

14. Trade and other payables

	2017 €	2016 €
Current		
Trade payables	10,744,271	7,579,030
Other taxes and social security	654,260	263,133
Other payables	221,064	319,117
Provisions for value of derivative instruments (note 15) and other losses (i)	546,732	930,276
Deferred income	14,083,922	5,253,880
Accruals	16,202,717	10,123,864
Total Trade and other payables	<u>42,452,966</u>	<u>24,469,300</u>
Amounts owed to the parent company	<u>144,559,641</u>	<u>133,598,674</u>

(i) A provision of €113,373 was made in respect of staff costs at 31 July 2016 which was released during the year.

The directors consider that the carrying amount of trade payables approximates to their fair value. No interest is charged on trade and other payables.

Trade payables, other payables and amounts payable to group companies constitute the only financial liabilities measured at amortised cost as defined by IAS39.

Amounts owed to the parent company are on a current account basis with no interest changes and have no other restrictions attached.

Formula E Operations Limited

Notes to the financial statements (continued)

Year ended 31 July 2017

15. Derivative financial instruments

	2017 €	2016 €
Provision for loss on fair market value of derivative instruments	<u>(546,732)</u>	<u>(816,903)</u>

The balance represents the foreign currency forward contracts entered by the Company with a counterparty agent. As part of the trade, the Company is required to hold collateral deposits with the counterparty. As of 31 July 2017, the amount of deposits held was €225,476 (2016: €646,552).

As at 31 July 2017, the Company had the following outstanding foreign currency forward contracts, which were related to the purchase of GBP and USD. The terms of these contracts were as follows:

2017

Exercise period	Amount to be purchased (USD)	Amount to be purchased (GBP)	Exchange rate	EUR equivalent
August 1 – 31, 2017	1,250,000	-	0.900	1,126,126
August 14 – 31, 2017	-	500,000	1.585	579,250
August 14 – 31, 2017	-	100,000	1.180	118,000
September 13 – 29, 2017	-	500,000	1.585	579,250
September 13 – 29, 2017	-	100,000	1.180	118,000
October 16 – 31, 2017	-	500,000	1.790	589,500
October 16 – 31, 2017	-	100,000	1.180	118,000
November 17 – 30, 2017	-	500,000	1.790	589,500
November 17 – 30, 2017	-	100,000	1.180	118,000
December 15 – 29, 2017	-	500,000	1.179	596,250
December 15 – 29, 2017	-	100,000	1.180	118,000
January 16 – 31, 2018	-	500,000	1.192	596,000
January 16 – 31, 2018	-	100,000	1.180	118,000
February 19 – 28, 2018	-	500,000	1.185	592,500
February 19 – 28, 2018	-	100,000	1.180	118,000
March 19 – 29, 2018	-	500,000	1.185	592,500
March 19 – 29, 2018	-	100,000	1.180	118,000
April 17 – 30, 2018	-	600,000	1.141	684,600
May 22 – 31, 2018	-	600,000	1.141	684,600
June 1, 2018	2,000,000	-	0.875	1,750,547
June 19 – 29, 2018	-	600,000	1.141	684,600
July 23 – 31, 2018	-	600,000	1.141	684,600
	<u>3,250,000</u>	<u>7,200,000</u>		<u>11,273,823</u>

Formula E Operations Limited

Notes to the financial statements (continued)

Year ended 31 July 2017

15. Derivative financial instruments (continued)

2016

Exercise period	Amount to be purchased (GBP)	Exchange rate	EUR equivalent
December 15 – 30, 2016	819,000	1.319	1,080,261
January 13 – 31, 2017	819,000	1.319	1,080,261
February 14 – 28, 2017	819,000	1.319	1,080,261
March 15 – 31, 2017	819,000	1.319	1,080,261
April 13 – 28, 2017	819,000	1.319	1,080,261
May 15 – 31, 2017	819,000	1.319	1,080,261
June 13 – 27, 2017	500,000	1.319	659,500
July 13 – 27, 2017	500,000	1.319	659,500
	5,914,000		7,800,566

The foreign currency forward contracts are measured at the fair value at the end of each reporting period. During the year ending July 31, 2017, a fair value gain of €270,171 was recognized in the Income statement relating to the change in fair value of foreign currency forward contracts (2016: loss of €816,903).

Fair value of the Company's financial assets is measured at fair value on a recurring basis. Further detail of the valuation basis is included within note 1.

Fair Value estimation

The fair value of financial instruments inputs other than quoted prices traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the company is the current bid price. Note 1 discloses the methods used in determining fair values on a specific asset/liability basis with further details on level 2 financial instruments. Other financial assets/liabilities represent the fair value of foreign exchange forward agreements in place at the year end.

Where applicable, further information about the assumptions used in determining fair value is disclosed in the notes specific to that asset or liability.

16. Share-based payment

a) Types of share-based payments

A pool of 4,251 Growth shares was created for the primary purpose of providing incentives to directors and eligible employees during previous financial year. The shares are issued by Formula E Holdings. As employees are employed by Formula E Operations, the Company reimburses Formula E Holdings Ltd for the fair value of the shares issues through the period.

On 10 December 2015, the Board authorised the allotment and issuance of 2,108 such shares eligible to existing employees of the Company. The proposed scheme to deliver the option pool was an Employee Share Scheme ("ESS") involving delivery of shares which allow eligible management participation in any equity growth above a pre-defined hurdle value at issuance.

On 4 April, 2017, the Board authorised another allotment and issuance of 626 B Growth shares. As the benefits of the ESS were removed by the Chancellor at 2016 Budget announcement, this allotment was issued as a standard management share scheme.

Formula E Operations Limited

Notes to the financial statements (continued) Year ended 31 July 2017

16. Share-based payment (continued)

a) Types of share-based payments (continued)

Details of specific categories of options are as follows:

	Date of grant	Exercise price EUR
Type A Growth shares	10 December 2015	6,653
Type B Growth shares	4 April 2017	7,362

The shares were issued at a pre-agreed hurdle rate. At 31 July 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,517 (31 July 2016: 2,143), representing 3.6% (31 July 2016: 6.4%) of the shares of the Formula E Holdings Ltd in issue at that date.

b) Number of share options

Option Type	Issued at 1 August 2016	Granted during year	Exercised during year	Issued at 31 July 2017
Type A	2,108	-	-	2,108
Type B	-	626	-	626
Exercisable at end of year	2,108	626	-	2,734

Option Type	Issued at 1 August 2015	Granted during year	Exercised during year	Issued at 31 July 2016
Type A	-	2,108	-	2,108
Exercisable at end of year	-	2,108	-	2,108

c) Fair value calculation

The fair value was calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	2017	2016
Weighted average share price	€6,492	€5,416
Exercise price	€7,362	€6,653
Expected volatility	55.4%	46.4%
Risk-free rate	0.52%	1.23%
Expected dividend yield	-	-
Other inputs	n/a	n/a

Expected volatility was determined by using the historical volatility of the Formula E Holdings Ltd's share price over the previous 3 years (2016: 2 years).

The Company recognised the total expense of €875,927 for the year ended 31 July 2017 (2016: €485,700) in relation to accretion value of the Growth shares during the year.

Formula E Operations Limited

Notes to the financial statements (continued)

Year ended 31 July 2017

17. Share capital

	2017 €	2016 €
Allotted, called up and fully paid 1 ordinary shares of £1	1	1

18. Notes to the statement of cash flows

	2017 €	2016 €
Loss before taxation	(20,789,096)	(35,248,099)
Depreciation	7,333,268	5,001,351
Amortisation	832,735	459,085
Costs of sold fixed assets	41,725	990,401
Decrease in inventories	8,035	(3,345,473)
Increase in payables	17,983,666	12,034,004
Increase in receivables	(15,426,267)	(7,833,920)
Increase in provisions	(113,373)	(77,491)
Fair value change in derivatives	(270,171)	816,903
Write off of assets	346,268	1,818,722
Cash generated from operations	(10,053,210)	(25,384,517)

Cash and cash equivalents (which are presented as a single class of assets on the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

19. Related party transactions

During the year, the Company held a loan from Formula E Holdings Limited, its parent. At 31 July 2017, €144,559,641 (2016: €133,598,674) was owed by the Company to Formula E Holdings Limited and is included within current liabilities.

As result of the restructuring of the Group, the Company also provided services to both its parent and another group company, Formula E Rights Limited, for the amount of €34.9 million (2016: €16.4 million) which are reflected in the financial statements.

Key Management Personnel

There have been no short-term or post-employment benefits provided to the directors, who are the key management personnel of the Company as specified in IAS 24 *Related Party Disclosures*.

Formula E Operations Limited

Notes to the financial statements (continued)

Year ended 31 July 2017

20. Operating lease arrangements

At 31 July 2017 and 2016, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 EUR	2016 EUR
Within one year	401,704	431,670
In the second to fifth years, inclusive	148,769	406,737
	<u>550,473</u>	<u>838,407</u>

Operating lease payments represent rental payable by the Company for its office premises. Leases are negotiated for an average term of five years and rental are fixed throughout the lease period.

At the balance sheet date, the Company had contracts with the teams in relation to the Race cars for the following minimum lease payments:

	2017 EUR	2016 EUR
Within one year	5,293,198	4,505,570
In the second year (remaining balance)	-	5,293,198
	<u>5,293,198</u>	<u>9,798,768</u>

21. Parent undertaking and controlling party

The Company's ultimate and immediate parent undertaking and controlling party is Formula E Holdings Limited, a company incorporated in Hong Kong which is the largest and smallest entity into which the company is consolidated. The Registered Office Address of Formula E Holdings Limited is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong,

Formula E Operations Limited

Notes to the financial statements (continued) Year ended 31 July 2017

22. Financial instruments

Primary financial Instruments 2017	Loans and receivables at amortised cost	Financial liabilities measured at amortised cost	Financial instruments designated as fair value through profit or loss	Total carrying amount
EUR				
Trade receivables	23,216,984	-	-	23,216,984
Cash and cash equivalents	6,635,878	-	-	6,635,878
Financial assets	29,852,862	-	-	29,852,862
Trade and other payables	-	11,619,595	-	11,619,595
Foreign currency forward contracts	-	-	546,732	546,732
Financial liabilities	-	11,619,595	546,732	12,166,327

Primary financial Instruments 2016	Loans and receivables at amortised cost	Financial liabilities measured at amortised cost	Financial instruments designated as fair value through profit or loss	Total carrying amount
EUR				
Trade receivables	10,570,496	-	-	10,570,496
Cash and cash equivalents	10,613,487	-	-	10,613,487
Financial assets	21,183,983	-	-	21,183,983
Trade and other payables	-	8,161,280	-	8,161,280
Foreign currency forward contracts	-	-	816,903	816,903
Financial liabilities	-	8,161,280	816,903	8,978,193

The directors of the Company consider that the carrying value amounts of financial assets and liabilities recorded at amortised cost approximate to their fair values. No financial instruments were recognised as fair value through the profit and loss account. There were no reclassifications of financial assets classification in the year.

Formula E Operations Limited

Notes to the financial statements (continued)

Year ended 31 July 2017

22. Financial instruments (continued)

Financial risk management objectives and policies

The Company's major financial instruments include cash and cash equivalents, trade receivables, amounts due from related party, amounts due to related companies and trade and other payables. Details of the financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain transactions of the Company are denominated in British Pound ("GBP") and United States dollar ("USD"), which are different from the respective functional currency, and therefore the Company is exposed to foreign currency risk. Operating costs for the Company's operations are affected by exchange rate movements between GBP and EUR as a large portion of payroll and recurring overheads are incurred in GBP within the UK through FEO. To manage this risk, the Company entered into derivative contracts to fix the future exchange rate on these costs.

The management monitors foreign exchange exposure and during the financial year entered into hedging contracts to reduce foreign currency exposure.

Fair value measurements of financial instruments

(i) The Company's financial assets are measured at fair value on a recurring basis.

Derivative financial instruments

Foreign currency forward contracts of the Company are measured at fair value at the end of each reporting period.

The fair value of financial instruments inputs other than quoted prices traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price. Disclosed below are the methods used in determining fair values on a specific asset/liability basis. Where applicable, further information about the assumptions used in determining fair value is disclosed in the notes specific to that asset or liability.

(ii) The Company's financial assets and financial liabilities that are not measured at fair value on a recurring basis.

The directors consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values using discounted cash flow valuation technique.

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Formula E Operations Limited

Notes to the financial statements (continued) Year ended 31 July 2017

22. Financial instruments (continued)

Financial instrument	Fair Value	Fair Value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Foreign Currency forward contracts	(546,732) (2016:816,903)	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates. The higher the discount rate, the lower the fair value	The higher the discount rate, the lower the fair value

Financial risk management objectives and policies (continued)

The carrying amounts of the Company's foreign currency denominated monetary assets / liabilities at the end of the reporting period are as follows:

Assets	GBP	USD		2017	2016
				EUR	EUR
				1,850,311	4,775,498
				11,698,002	5,995,616
Liabilities	GBP	USD		2017	2016
				EUR	EUR
				4,453,858	5,300,199
				4,776,653	1,329,426

Sensitivity analysis

The Company is mainly exposed to currency risk related to GBP and USD. The following table details the Company's sensitivity to a 5% (2016: 5%) increase and decrease in EUR against the relevant foreign currency. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates. A positive number below indicates a decrease in loss where EUR strengthens 5% (2016: 5%) against the relevant currency. For a 5% (2016: 5%) weakening of EUR against the relevant currency, there would be an equal and opposite impact on the loss and the balances below would be negative.

Loss for the year	GBP	USD		2017	2016
				EUR	EUR
				130,177	26,235
				(346,067)	(233,310)

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Notes to the financial statements (continued)

Year ended 31 July 2017

22. Financial instruments (continued)

Credit risk

As at 31 July 2017, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

To manage its credit risk, management monitors on a regular basis credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparty is a bank with high credit ratings assigned by international credit-rating agencies. Trade debtors consist of many customers and the management of the Company considers the concentration risk is low.

Liquidity risk

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been compiled based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

Liquidity and interest risk tables:

	Weighted average interest rate	Less than 1 month or on demand EUR	Total un- discounted cash flows EUR	Carrying amount EUR
2017				
Trade and other payables	-	11,619,595	11,619,595	11,619,595
Foreign currency forward contracts	-	546,732	546,732	546,732
		<u>12,166,327</u>	<u>12,166,327</u>	<u>12,166,327</u>
2016				
Trade and other payables	-	8,161,280	8,161,280	8,161,280
Foreign currency forward contracts	-	816,903	816,903	816,903
		<u>8,978,193</u>	<u>8,978,193</u>	<u>8,978,193</u>

23. Subsequent events

The Group also raised additional €10.5 million of equity in November 2017. The consideration was partially used to repurchase back some of the base shares from the CEO of the Group for €5 million in December 2017.

The Company also incorporated a subsidiary in Chile in order to support the racing event in Santiago de Chile.