

Registration number: 08915039

Formula One Digital Media Limited

Strategic Report, Directors' Report and Financial Statements

for the Year Ended 31 December 2018

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Formula One Digital Media Limited

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Formula One Digital Media Limited

Company Information

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

Formula One Digital Media 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 activity

The company's principal activity remains the sale and exploitation of digital rights and services in connection with the events of the FIA Formula One World Championship® ("the Championship").

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".

Adoption of IFRS 9 Financial Instruments

These financial statements for the year ended 31 December 2018 are the first the company has prepared following adoption of the new accounting standard IFRS 9 Financial instruments. On application of the requirements of the new standard for the first time, as allowed, comparative information has not been restated. The first time application of IFRS 9 has had no significant impact on these financial statements (see note 21).

Review of the business

The company is party to an agreement with Formula One World Championship Limited ("FOWC"), another Formula 1 subsidiary and the commercial rights holder to the Championship, under which it has licensed certain rights from FOWC in return for an annual sub-licence fee. These rights include the right to exploit digital and social media opportunities via the website www.formula1.com, the Official F1® App and other products and platforms. The entirety of the company's activities are focused on the exploitation of these rights.

The company's key trading performance indicators during the year were as follows:

| | 2018 \$ m | 2017 \$ m | Change \$ m | Change % |
|-------------------------|--------------|--------------|----------------|--------------|
| Turnover (see note 7) | 22.0 | 10.0 | 12.0 | 120% |
| Cost of sales | (20.1) | (11.3) | (8.8) | 78% |
| FOWC sub-licence fees | <u>(1.0)</u> | <u>(1.0)</u> | <u>-</u> | <u>-%</u> |
| Gross profit/(loss) | 0.9 | (2.3) | 3.2 | (139%) |
| Administrative expenses | <u>(3.0)</u> | <u>(3.1)</u> | <u>0.1</u> | <u>(3%)</u> |
| Operating loss | <u>(2.1)</u> | <u>(5.4)</u> | <u>3.3</u> | <u>(61%)</u> |

Formula One Digital Media Limited

Strategic Report for the Year Ended 31 December 2018

Revenues totalling \$22.0m (2017-\$10.0m) were generated from digital services including sales of The Official F1® App and the licensing of online ticketing and merchandise rights. Revenue grew strongly, up by \$12.0m (120%) driven by the launch of new product offerings in 2018 including the F1 TV Pro service, updated mobile applications, and the purchase of digital advertising inventory by a fellow Formula 1 subsidiary.

Having incurred sub-licence fees payable to FOWC of \$1.0m (2017-\$1.0m), and costs related to the ongoing developing and running the various social and digital platforms of \$20.1m (2017-\$11.3m), the company generated a gross profit of \$0.9m (2017-loss of \$2.3m) in the period. Having taken account of \$3.0m (2017-\$3.1m) of other operating costs, the company generated an operating loss before taxation of \$2.1m (2017-loss of \$5.4m).

The directors consider the performance of the company during the year to be satisfactory and in line with expectations as the company continues to invest in the development of its digital and social media platforms and products, and believe the company to be in a sound position at the balance sheet date and, with the progress that is being made, well positioned for the future.

Principal risks and uncertainties

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

Business risk

The directors believe that the future success of the company, together with any threat to its ability to meet its obligations, is dependent on its continued ability to exploit its digital media rights related to the Championship and its events. In that regard the directors highlight certain arrangements to which the company and other fellow Formula 1 companies are parties, which continue to support the position of the company. The directors believe the effect of the ongoing arrangements will be to allow the company to continue to meet its obligations as they fall due.

On 24 April 2001, SLEC Holdings Limited, a fellow Formula 1 company, entered into, and funded, an agreement with the Fédération Internationale de l'Automobile ("FIA") under which other subsidiaries of the Group acquired the FIA's commercial interests in the Championship. Under these arrangements FOWC became the commercial rights holder to the Championship with effect from 1 January 2011 for a period of 100 years ending 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.

As noted the company has an agreement with FOWC under which it has obtained the rights to exploit certain event based and ongoing commercial opportunities. The agreement has no fixed term, and the directors consider that providing the company effectively exploits the rights it has been granted, there is no currently foreseeable reason for the arrangements to be terminated.

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.

Formula One Digital Media Limited

Strategic Report for the Year Ended 31 December 2018


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 allow the company to mitigate its principal business risks for the foreseeable future and at least the next 12 months.

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 One Digital Media 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 to 31 December 2018 are shown in the Profit and Loss Account on page 9.

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 and its risk exposures, are described herein and in the Strategic Report.

The company and fellow Formula 1 subsidiaries have considerable financial resources, including access to the Group's available revolving credit facilities, together with long term contracts with 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 uncertainty in the economic outlook.

The financial statements have been prepared on a going concern basis as the directors received confirmation from Delta Topco of its intention to continue to provide financial and other support to the extent necessary to enable the company to continue to pay its liabilities as and when they become due, for a period of not less than one year from the date of approval of these financial statements. 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 12 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

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 One Digital Media 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 One Digital Media Limited

Independent Auditor's Report to the Members of Formula One Digital Media Limited

Opinion

We have audited the financial statements of Formula One Digital Media 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 5.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss 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 One Digital Media Limited

Independent Auditor's Report to the Members of Formula One Digital Media 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 One Digital Media Limited

Profit and Loss Account for the Year Ended 31 December 2018

| | Note | 2018 \$ 000 | 2017 \$ 000 |
|---|------|-----------------------|-----------------------|
| Turnover | 7 | 22,012 | 9,997 |
| Cost of sales | | <u>(21,118)</u> | <u>(12,270)</u> |
| Gross profit/(loss) | | 894 | (2,273) |
| Administrative expenses | | <u>(3,031)</u> | <u>(3,160)</u> |
| Loss on ordinary activities before interest | 8 | (2,137) | (5,433) |
| Interest receivable and similar income | 9 | 1 | 12 |
| Interest payable and similar charges | 9 | <u>(181)</u> | <u>(22)</u> |
| Loss before tax | | (2,317) | (5,443) |
| Tax on loss on ordinary activities | 12 | <u>418</u> | <u>1,042</u> |
| Loss for the financial year | | <u><u>(1,899)</u></u> | <u><u>(4,401)</u></u> |

The above results were derived from continuing operations.

Formula One Digital Media Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

| | 2018 \$ 000 | 2017 \$ 000 |
|---|----------------|----------------|
| Loss for the year | (1,899) | (4,401) |
| Other comprehensive income, net of tax | - | - |
| Total comprehensive income for the year | <u>(1,899)</u> | <u>(4,401)</u> |

The notes on pages 13 to 25 form an integral part of these financial statements.

Formula One Digital Media Limited
(Registration number: 08915039)
Balance Sheet as at 31 December 2018

| | Note | 2018 \$ 000 | 2017 \$ 000 |
|--|------|----------------|----------------|
| Fixed assets | | | |
| Intangible assets | 13 | 11,360 | - |
| Current assets | | | |
| Debtors due within one year | 14 | 10,189 | 2,361 |
| Cash at bank and in hand | 15 | 166 | 2,007 |
| | | 10,355 | 4,368 |
| Creditors: Amounts falling due within one year | 16 | (36,408) | (17,162) |
| Net current liabilities | | (26,053) | (12,794) |
| Net liabilities | | (14,693) | (12,794) |
| Capital and reserves | | | |
| Called up share capital | 17 | - | - |
| Profit and loss account | | (14,693) | (12,794) |
| Shareholders' deficit | | (14,693) | (12,794) |

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



Mr D Llowarch
Director

Formula One Digital Media 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 | - | (8,393) | (8,393) |
| Total comprehensive income | - | (4,401) | (4,401) |
| At 31 December 2017 | - | (12,794) | (12,794) |
| Total comprehensive income | - | (1,899) | (1,899) |
| At 31 December 2018 | - | (14,693) | (14,693) |

The notes on pages 13 to 25 form an integral part of these financial statements.

Formula One Digital Media 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, and incorporated and domiciled in England and Wales.

The address of its registered office is:

No. 2 St. James's Market

London

SW1Y 4AH

These financial statements were authorised for issue by the Board on 20 March 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 financial information is presented in US dollars 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 21 "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 5 and relating to the application of IFRS9 and IFRS15, 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 Going concern

Notwithstanding net liabilities of \$14.7 million as at 31 December 2018 and a loss for the year then ended of \$1.9 million, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

Given the net liability position of the company, Delta Topco Limited has confirmed that, for at least the next 12 months from the date of approval of the financial statements, the Group will make funds available to the company in the event they should be needed. Group companies include Formula One World Championship Limited, the commercial rights holder to the FIA Formula One World Championship.

The Group has prepared cash flow budgets and forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds to support the company during the period as and if required. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

4 Disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures;

Formula One Digital Media Limited

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

4 Disclosure exemptions (continued)

- 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 paragraph 79(a)(iv) of IAS 1;
- 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;
- 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.

5 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Revenue recognition

The principles in IFRS 15 Revenue from Contracts with Customers are applied to turnover recognition criteria using 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 Championship and its events, principally derived from rights arising from the sale of subscriptions to the F1.com website, the F1 App and to F1TV, the online sale of tickets and other event based experiences and the sale and licensing of other digital rights. As such individual revenues relate either to (i) rights associated with an entire Championship season, (ii) rights related to a specific Championship 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 Championship season are recognised evenly on an event by event basis, with revenues relating to specific Championship events being recognised on the occurrence of the events concerned. Revenues that relate to 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.

The transaction price is determined by the fixed fees which are typically specified in the contract. Multi-year contracts will typically specify a fee for each Championship 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.

Formula One Digital Media Limited

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

5 Accounting policies (continued)

Foreign currency transactions and balances

Items included in the financial statements of the company are measured using the company's functional currency.

Transactions and balances

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

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

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

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

Tax

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

Current tax is the expected tax payable for the year based on tax rates and laws that are enacted or substantially 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.

Formula One Digital Media Limited

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

5 Accounting policies (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit and loss account in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. The company has no intangible assets with an indefinite life.

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

Website and other digital media development costs

Website and other digital media development costs are assessed on a project by project basis and recognised as an expense when they are incurred unless all of the following conditions for capitalisation are met:

- an asset is created that can be separately identified;
- the asset is controlled by the company;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset is directly attributable and can be measured reliably.

If the capitalisation conditions are met then the development costs are capitalised as Intangible assets, and amortisation is charged to the profit and loss account over the expected economic life from the date the asset is available for use.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class

Website and other digital media development costs

Amortisation method and rate

over 8 years on a straight-line basis

Impairment of non-financial assets

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

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.

Formula One Digital Media Limited

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

5 Accounting policies (continued)

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

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

All financial assets and 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.

(b) Impairment of financial assets

The company assesses financial assets at amortised cost 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.

Formula One Digital Media Limited

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

5 Accounting policies (continued)

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 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.

Financial liabilities

(a) Classification and subsequent 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'.

Formula One Digital Media Limited

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

5 Accounting policies (continued)

(i) Trade payables

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

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

(ii) Intra-group payables

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

6 Judgements and key sources of estimation uncertainty

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

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

Intangible assets

The treatment of intangible assets is dependent on an assessment of whether costs meet the criteria for capitalisation, therefore management exercises judgement when assessing whether the capitalisation conditions are met. (see note 13).

Taxation

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

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.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset, whereas the value in use calculation is based on a discounted cash flow model.

Formula One Digital Media Limited

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

7 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 |
|-----------------------------|----------------|----------------|
| Subscription based services | 6,146 | 2,928 |
| Other digital media rights | 15,866 | 7,069 |
| | <u>22,012</u> | <u>9,997</u> |

Other digital media rights consists of revenue generated from a number of less material event-based activities, none of which are considered individually significant to the company.

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

8 Operating loss

Arrived at after charging/(crediting):

| | 2018 \$ 000 | 2017 \$ 000 |
|---------------------------------|----------------|----------------|
| Amortisation expense | 546 | - |
| Foreign exchange (gains)/losses | <u>(508)</u> | <u>180</u> |

9 Interest payable and receivable

| | 2018 \$ 000 | 2017 \$ 000 |
|---|----------------|----------------|
| Interest receivable and similar income | | |
| Interest income on bank deposits | <u>1</u> | <u>12</u> |
| Interest payable and similar charges | | |
| Other finance costs | <u>(181)</u> | <u>(22)</u> |

10 Staff costs

The company had no employees during the year (2017-Nil) and no directors received qualifying remuneration for their services to the company (2017-Nil).

All of Formula 1's principal activities are based in the UK, and its UK based employees are employed by the 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.

Formula One Digital Media Limited

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

11 Auditor's remuneration

| | 2018 \$ 000 | 2017 \$ 000 |
|-----------------------------------|----------------|----------------|
| Audit of the financial statements | <u>14</u> | <u>14</u> |

12 Taxation

Tax credited in the profit and loss account:

| | 2018 \$ 000 | 2017 \$ 000 |
|---|----------------|----------------|
| Current taxation | | |
| Receipt from fellow Formula 1 subsidiaries for group taxation relief - current year | (440) | (1,048) |
| Foreign tax | <u>22</u> | <u>6</u> |
| Tax credited in the profit and loss account | <u>(418)</u> | <u>(1,042)</u> |

Tax credited 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 |
|----------------------------------|----------------|----------------|
| Loss before tax | <u>(2,317)</u> | <u>(5,443)</u> |
| Corporation tax at standard rate | (440) | (1,048) |
| Foreign tax | <u>22</u> | <u>6</u> |
| Total tax credit | <u>(418)</u> | <u>(1,042)</u> |

Under the Finance Act 2016, UK Corporation tax is scheduled to reduce to 17% effective 1 April 2020

Deferred taxation

There are \$9.0m of unused tax losses (2017-\$7.4m) for which no deferred tax asset is recognised in the balance sheet. Since the company is in an ongoing phase of developing and investing in new products for future launch, no deferred tax assets have yet been recognised in respect of brought forward tax losses that were not group relieved, because at this time the availability and timing of sufficient and suitable future taxable profits is not yet certain enough to require recognition under the criteria in IAS12.

Formula One Digital Media Limited

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

13 Intangible assets

| | Other intangible assets \$ 000 |
|--------------------------|---|
| Cost or valuation | |
| At 1 January 2018 | - |
| Additions | 11,906 |
| At 31 December 2018 | 11,906 |
| Amortisation | |
| Amortisation charge | 546 |
| At 31 December 2018 | 546 |
| Carrying amount | |
| At 31 December 2018 | 11,360 |
| At 31 December 2017 | - |

'Other intangible assets' relate to development costs of the Formula 1 website, OTT player and App. Each intangible asset is amortised over its useful economic life of 8 years commencing from the date the asset is brought into operation.

14 Debtors due within one year

| | 2018 \$ 000 | 2017 \$ 000 |
|--|----------------|----------------|
| Trade debtors | 986 | 573 |
| Amounts due from other Formula 1 companies | 6,185 | - |
| Accrued income | 926 | 782 |
| Prepayments | 137 | 393 |
| Other debtors | 231 | 191 |
| Other tax recoverable | 1,724 | 422 |
| | <u>10,189</u> | <u>2,361</u> |

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

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

Formula One Digital Media Limited

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

15 Cash and cash equivalents

| | 2018 \$ 000 | 2017 \$ 000 |
|--------------|----------------|----------------|
| Cash at bank | 166 | 2,007 |

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.

16 Creditors: Amounts falling due within one year

| | 2018 \$ 000 | 2017 \$ 000 |
|--|----------------|----------------|
| Trade creditors | 1,077 | 193 |
| Accrued expenses | 3,929 | 5,991 |
| Amounts due to other Formula 1 companies | 29,717 | 10,333 |
| Social security and other taxes | 1 | 1 |
| Deferred income | 1,684 | 644 |
| | <u>36,408</u> | <u>17,162</u> |

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

17 Share capital

Allotted, called up and fully paid shares

| | No. | 2018 \$ | No. | 2017 \$ |
|----------------------------|----------|------------|----------|------------|
| Ordinary share of \$1 each | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |

18 Commitments

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

Guarantees and other financial commitments

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

Formula One Digital Media Limited

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

19 Related party transactions

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

20 Parent and ultimate parent undertaking

The company's immediate parent undertaking is Alpha Prema UK Limited, a company incorporated in England and Wales. Alpha Prema UK Limited is owned by wholly-owned subsidiaries 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.

21 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 and other receivables 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 ECL has been provided for at 1 January 2018 or 31 December 2018 therefore this change has had no impact on the financial statements.

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.

Formula One Digital Media Limited

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

21 Changes in accounting policy (continued)

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.

The effect of adopting IFRS 15 at 1 January 2018 was to increase/(decrease) the following items on the balance sheet:

| | Decrease at 1 January 2018 \$ 000 |
|--|--|
| Debtors due within one year | (100) |
| Creditors: Amounts falling due within one year | <u>(100)</u> |

The adoption of IFRS 15 had no effect on the Balance Sheet, Profit and Loss Account or Statement of Other Comprehensive Income for the year ended 31 December 2018.

Upon adoption of IFRS 15, adjustments were made to reduce trade debtors and deferred income for amounts invoiced in advance. The company often invoices 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. The amounts have therefore been reversed out of trade debtors and deferred income.