

Formula Motorsport Limited (formerly GP2 Motorsport Limited)

Strategic Report, Directors' Report Financial Statements

for the Year Ended 31 December 2017

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Formula Motorsport Limited

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Formula Motorsport Limited

Company Information

Directors	Mr D Llowarch Mr B T S Michel Ms S Woodward Hill
Company secretary	Mr D Llowarch
Registered office	No. 2 St. James's Market London SW1Y 4AH
Auditor	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL

Formula Motorsport Limited

Strategic Report for the Year Ended 31 December 2017

The directors present their Strategic Report, Directors' Report and Financial Statements for the year ended 31 December 2017.

Principal activities

The principal activities of the company are the organisation and management of the FIA Formula 2 Championship™ ("F2") and GP3 Series™ ("GP3"). The GP3 series continues to operate in a three year cycle and following the first year of F2 in 2017, a new multi-year cycle will commence in 2018. Both series provide their participating teams and drivers with first-hand experience of racing in the Grand Prix environment, together with opportunities to develop driving and engineering skills, showcase their talents and gain exposure to Formula One™.

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

On 15 March 2017, the company changed its name from GP2 Motorsport Limited to Formula Motorsport Limited.

Parent company

On 7 September 2016 it was announced that the company then considered to be the company's ultimate parent undertaking Delta Topco Limited ("Delta Topco") was to be sold to Liberty Media Corporation ("Liberty"), subject to Liberty obtaining certain approvals to undertake the transaction. The approvals were subsequently obtained and the transaction was completed on 23 January 2017, with Delta Topco being acquired by a wholly-owned subsidiary of Liberty (see note 26). Delta Topco and its subsidiaries will collectively be referred to herein as "Formula 1" or "the Group".

Review of the business

Pursuant to an agreement between Fédération Internationale de l'Automobile ("FIA") and the company (dated 9 March 2017), the company has been granted the right to promote and commercially exploit F2 in the period 2017 - 2041. The GP2 Series™ was discontinued as a result.

Following the Liberty acquisition, Formula 1 reviewed its corporate structure and internal financing arrangements and executed a significant restructuring with the aim to simplify the operations of the Group and its intra-group loan arrangements. The exercise saw the elimination of redundant legal entities, the reorganisation of other operations and the centralisation of the intra-group funding structure. It is believed these changes will aid the establishment of new international business lines, afford flexibility within the Group to accommodate new activities, companies or business locations, and also optimise the capital structure. The reorganisation also addressed the impact of the new F2 championship and the need to enter into new agreements in respect of the new series.

As a result, various steps (including those described below) were taken by the company resulting in changes to its intra-group arrangements with fellow Formula 1 subsidiaries Formula One Marketing Limited ("FOML"), Formula One World Championship Limited ("FOWC"), GP2 Limited ("GP2L") and GP2 Trade Marks Limited ("GP2TM").

The company entered into an F2 and GP3 intra-group support race contract with FOML. Previously such contracts for GP2 and GP3 had been entered into by GP2L. The company also entered into a sale and settlement deed pursuant to which GP2L sold all ownership interests, intellectual property and assets it held, or had developed, in the GP2 and GP3 series to the company for nominal consideration. GP2L also transferred to the company all fees it had received in 2017 in respect of F2 Championship support races, less costs it incurred, in full and final settlement of all amounts owed by GP2L to the company.

In addition the company entered into an asset purchase deed pursuant to which GP2TM sold all of its assets including the GP2 and GP3 Trademarks to the company for nominal consideration.

GP2TM settled €13k of its payable of €128k due to the company, leaving an outstanding balance of €115k, which the company agreed to waive (see note 8).

2017 was the first year of the F2 Championship, during which F2 ran as support events at 10 rounds of the FIA Formula One World Championship® ("the Championship") (2016-11 rounds). In 2017 the F2 teams used equipment previously used in GP2 in the period 2014 to 2016, and will enter into a new equipment and championship cycle starting with effect from 2018. 2017 also saw the second year of the third cycle of GP3, which is running from 2016 to 2018, with the series running as a support event at 7 rounds of the Championship (2016-9 rounds). During 2017 there was one standalone F2 and GP3 race weekend (2016 - no standalone).

Formula Motorsport Limited

Strategic Report for the Year Ended 31 December 2017

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

	2017 € m	2016 € m	Change € m	Change %
Revenue	<u>18.3</u>	<u>25.0</u>	<u>(6.6)</u>	<u>(27%)</u>
Gross profit	2.3	4.4	(2.1)	(49%)
Administrative expenses	<u>2.1</u>	<u>2.9</u>	<u>(0.8)</u>	<u>(28%)</u>
Operating Profit	<u>0.2</u>	<u>1.5</u>	<u>(1.3)</u>	<u>(89%)</u>
Profit for the year	<u>0.2</u>	<u>1.5</u>	<u>(1.3)</u>	<u>(86%)</u>
Shareholders' funds	<u>12.3</u>	<u>12.1</u>	<u>0.2</u>	<u>2%</u>
GP2 races in the year	11	11	-	-%
GP3 races in the year	8	9	(1.0)	(11%)
Average number of employees	3	3	-	-%

Revenues fell by €6.6m (27%) to €18.3m in 2017 (2016 - €25.0m) driven by prior year sales of the new GP3 car and upgrade kits to support the new 2016-2018 cycle. In addition, 2017 saw lower F2 (compared to prior year GP2) and GP3 part and maintenance revenues consistent with expectation, given F2 did not use new cars and equipment in 2017 in advance of the new equipment cycle starting in 2018, and GP3 was in its second year of its current cycle. There was also one less F2 team competing than had competed in GP2 in the prior year.

Lower gross profits of €2.3m (2016 - €4.4m) and gross margins of 12% (2016 - 18%) reflected higher logistics costs and increased FIA fees following the launch of F2. Cost of sales of €16.1m (2016 - €20.6m) fell by 22%, moving broadly in line with revenues.

Administrative expenses fell by €0.8m (28%) in 2017 to €2.1m (2016 - €2.9m), driven by prior year debt provisions and the current year benefit of a €0.2m foreign exchange gain (2016 - €49k loss).

The fall in gross profits and administrative expenses led the company to report a reduced level of operating profit compared to the prior year at €0.2m (2016 - €1.5m).

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

Principal risks and uncertainties

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

Business risk

The company's principal business risk remains any threat to its ability to continue to effectively exploit F2 and GP3, and in particular the ability to run their races as support events to rounds of the Championship.

In addition to its ownership of the GP3 series, following the transfer from GP2L as noted, on 9 March 2017 the company reached agreement with the FIA, the governing body of world motorsport. FIA under which the company has been granted the right to promote and commercially exploit F2.

F2 and GP3 benefit from close links to various Formula 1 operating companies and the FIA which oversees the running of all F2 and GP3 events. Continuing good relationships with these parties are important in continuing to support the company's operations.

Formula Motorsport Limited

Strategic Report for the Year Ended 31 December 2017

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

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

In assessing risk, and given the importance of the relationship with its fellow Formula 1 subsidiaries (which include a number of UK-based subsidiaries that operate significant elements of its business), we have considered 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 markets generally, on the company's business and that of other Formula 1 subsidiaries. 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.

Whilst a great deal of uncertainty remains as to the final arrangements for Brexit, Formula 1's business has certain characteristics which it believes 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. In the case of the company, it considers there are factors that will also mitigate potential risk, such as the facts it largely conducts its business in Euros and the majority of the competing teams are based in Europe. At this time neither Formula 1 nor the company therefore anticipate that Brexit will have a material adverse effect on its business, albeit possible challenges could arise in moving staff and equipment to and from European-based races which take place during the course of future race seasons.

The company will continue 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.

The directors consider that the developments and factors identified above should see F2 and GP3 continue successfully, so allowing the company to mitigate its principal business risks for the foreseeable future.

Other risks

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

Approved by the Board on 15 March 2018 and signed on its behalf by:



Mr D Llowarch
Director

Formula Motorsport Limited

Directors' Report for the Year Ended 31 December 2017

The directors present their Report and the Financial Statements for the year ended 31 December 2017.

Results and dividends

The results for the year are shown in the Income Statement on page 9.

No dividends were declared or paid during the year (2016-€Nil).

Future developments

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

Going concern

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

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

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

Directors of the company

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

Mr N Clarry (resigned 23 January 2017)

Mr D Llowarch

Mr B T S Michel

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

Following the Liberty acquisition Ernst & Young LLP resigned on 24 May 2017 and KPMG LLP was appointed as auditor in succession. KPMG LLP have expressed their willingness to continue in office and will be reappointed in accordance with section 485 of the Companies Act 2006.

Approved by the Board on 15 March 2018 and signed on its behalf by:



Mr D Llowarch
Director

Formula Motorsport Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS's as adopted by the EU) and applicable law.

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, relevant and reliable;
- state whether they have been prepared in accordance with IFRS's as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Formula Motorsport Limited

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

Opinion

We have audited the financial statements of Formula Motorsport Limited (the "company") for the year ended 31 December 2017, which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- are prepared in accordance with UK accounting standards and International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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
- 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.

Formula Motorsport Limited

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

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

16 March 2018

Formula Motorsport Limited

Income Statement for the Year Ended 31 December 2017

	Note	2017 € 000	2016 € 000
Revenue	5	18,346	24,976
Cost of sales		<u>(16,085)</u>	<u>(20,557)</u>
Gross profit		2,261	4,419
Administrative expenses		(2,094)	(2,920)
Other gains	6	<u>-</u>	<u>7</u>
Operating profit	7	167	1,506
Finance income	8	349	622
Finance costs	8	<u>(136)</u>	<u>(21)</u>
Net finance income		<u>213</u>	<u>601</u>
Profit before tax		380	2,107
Income tax expense	11	<u>(170)</u>	<u>(625)</u>
Profit for the year		<u><u>210</u></u>	<u><u>1,482</u></u>

The above results were derived from continuing operations.

Formula Motorsport Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

	2017 € 000	2016 € 000
Profit for the year	210	1,482
Other comprehensive income, net of tax	-	-
Total comprehensive income for the year	<u>210</u>	<u>1,482</u>

Formula Motorsport Limited

(Registration number: 4998594)

Statement of Financial Position as at 31 December 2017

	Note	2017 € 000	2016 € 000
Assets			
Non-current assets			
Property, plant and equipment	12	12	5
Trade and other receivables	14.1	-	1,322
Prepayments	15	1,143	-
Deferred tax assets	11	2,878	2,275
		<u>4,033</u>	<u>3,602</u>
Current assets			
Inventories	13	191	220
Trade and other receivables	14.1	5,431	6,301
Prepayments	15	7,359	4,602
Cash and cash equivalents	14.2	6,693	3,913
		<u>19,674</u>	<u>15,036</u>
Total assets		<u>23,707</u>	<u>18,638</u>
Equity and liabilities			
Equity			
Share capital	17	-	-
Retained earnings		12,288	12,078
Total equity		<u>12,288</u>	<u>12,078</u>
Current liabilities			
Trade and other payables	18.1	10,393	4,916
Deferred income		1,026	1,644
		<u>11,419</u>	<u>6,560</u>
Total equity and liabilities		<u>23,707</u>	<u>18,638</u>

Approved by the Board on 15 March 2018 and signed on its behalf by:



Mr D Llowarch
Director

The notes on pages 14 to 32 form an integral part of these financial statements.

Formula Motorsport Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital € 000	Retained earnings € 000	Total € 000
At 1 January 2016	-	10,596	10,596
Total comprehensive income	-	1,482	1,482
At 31 December 2016	-	12,078	12,078
Total comprehensive income	-	210	210
At 31 December 2017	-	12,288	12,288

The notes on pages 14 to 32 form an integral part of these financial statements.

Formula Motorsport Limited

Statement of Cash Flows for the Year Ended 31 December 2017

	Note	2017 € 000	2016 € 000
Cash flows from operating activities			
Profit for the year		210	1,482
<i>Adjustments to reconcile profit for the year to net cash flows</i>			
Depreciation and amortisation	7	4	3
Profit on disposal of property plant and equipment	6	-	(7)
Finance income	8	(349)	(622)
Receipts under finance leases		731	793
Finance costs	8	136	21
Income tax expense	11	170	625
		<u>902</u>	<u>2,295</u>
<i>Working capital adjustments</i>			
Decrease/(increase) in inventories	13	29	(100)
Increase in trade and other receivables	14.1	(2,099)	(1,807)
Increase/(decrease) in trade and other payables	18.1	4,589	(1,887)
(Decrease)/increase in deferred income		<u>(618)</u>	<u>702</u>
Net cash flow from operating activities		<u>2,803</u>	<u>(797)</u>
Cash flows from investing activities			
Interest received	8	(12)	3
Acquisitions of property plant and equipment	12	(12)	(5)
Proceeds from sale of property plant and equipment		<u>1</u>	<u>7</u>
Net cash flows from investing activities		(23)	5
Cash flows from financing activities			
Interest paid	8	<u>-</u>	<u>(21)</u>
Net increase/(decrease) in cash and cash equivalents		2,780	(813)
Cash and cash equivalents at 1 January		<u>3,913</u>	<u>4,726</u>
Cash and cash equivalents at 31 December		<u><u>6,693</u></u>	<u><u>3,913</u></u>

The notes on pages 14 to 32 form an integral part of these financial statements.

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 General information

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

The address of its registered office is:

No. 2 St. James's Market

London

SW1Y 4AH

United Kingdom

These financial statements were authorised for issue by the Board on 15 March 2018.

2 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and under historical cost accounting rules. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the company's accounting policies.

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

New standards, interpretations and amendments effective

New standards, interpretations and amendments adopted by the company for the first time for their annual reporting period commencing 1 January 2017 are detailed in note 27 "Changes in accounting policy".

3 Accounting policies

Statement of compliance

The company financial statements have been prepared in accordance with IFRS.

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 general revenue recognition criteria is that revenue is recognised to the extent that it is probable that the economic benefits will flow to the company, revenue can be reliably measured and when goods and services have been provided, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding sales tax.

The specific criteria described below must also be met before revenue is recognised:

Revenue that is attributable to a specific F2 or GP3 event is recognised upon occurrence of the event, whereas revenue that is attributable to a F2 or GP3 season is recognised in the accounting period in which that season falls.

Finance income

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

Foreign currency transactions and balances

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 the functional currency spot rate at the date the transaction first qualifies for recognition.

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

3 Accounting policies (continued)

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 income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in the income statement.

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 income statement, are also recognised in other comprehensive income or income statement, respectively).

Tax

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

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

Tax assets and liabilities are offset only when there is a legally enforcement 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.

Property, plant and equipment

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

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

3 Accounting policies (continued)

Depreciation

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

Asset class	Depreciation method and rate
Plant, machinery and vehicles	25% straight line
Furniture, fittings and equipment	25% straight line

Inventories

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

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

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, or cash-generating unit's (CGU's), fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. The company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of more than five years. Beyond this, a long-term growth rate is calculated and applied to project future cash flows after the final year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

Financial assets

Classification

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

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

3 Accounting policies (continued)

Recognition and measurement

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

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at cost using the effective interest rate ("EIR") method, less impairment. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

Impairment

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through use of an allowance account and the amount of the loss is recognised in the income statement. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Trade receivables

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

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.

Financial liabilities

Classification

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

Recognition and measurement

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

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

3 Accounting policies (continued)

Trade payables

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

Intra-group transactions

Payables and receivables

Intra-group payables and receivables are initially recognised at transaction price and subsequently measured at amortised cost less any provision for impairment on receivables.

Leases

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

Company as a lessee

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

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

Company as a lessor

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

4 Judgements and key sources of estimation uncertainty

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

Judgements

In the process of applying the company's accounting policies, management has made the following judgement, which is considered to have the most significant effect on the amounts recognised in the historical financial information:

Trade receivables

Management assesses the potential impairment of trade receivables on an ongoing basis. An impairment allowance is raised against trade receivables when their collectability is considered to be doubtful. Management believe that the impairment adjustment is conservative and there are no significant trade receivables that are doubtful and have not been impaired or provided for. In determining whether a particular receivable could be doubtful, the age, customer current financial status and disputes with the customer are taken into consideration.

Taxation

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which underlying temporary differences can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

Estimates and assumptions

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

Taxation

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which underlying temporary differences can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

5 Revenue

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

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

	2017 € 000	2016 € 000
F2 related income	13,247	14,436
GP3 related income	5,099	10,540
	<u>18,346</u>	<u>24,976</u>

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

6 Other gains and losses

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

	2017 € 000	2016 € 000
Gain on disposal of property, plant and equipment	<u>-</u>	<u>7</u>

7 Operating profit

Arrived at after charging/(crediting):

	2017 € 000	2016 € 000
Depreciation expense	4	3
Foreign exchange (gains)/losses	(221)	49
Operating lease expense - property	<u>23</u>	<u>23</u>

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

8 Finance income and costs

	2017 € 000	2016 € 000
Finance income		
Interest income on bank deposits	9	3
Finance lease income	<u>340</u>	<u>619</u>
Total finance income	<u>349</u>	<u>622</u>
Finance costs		
Other finance costs	<u>(136)</u>	<u>(21)</u>

Other finance costs include charges related to the company waiving a balance with its fellow Formula 1 subsidiary GP2 Trade Marks Limited totalling €115k (see note 14).

9 Staff costs

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

	2017 € 000	2016 € 000
Wages and salaries	430	417
Social security costs	<u>56</u>	<u>53</u>
	<u>486</u>	<u>470</u>

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

	2017 No.	2016 No.
Management and administration	<u>3</u>	<u>3</u>

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

None of the directors who served during the year received emoluments for their services to the company (2016-€Nil).

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

10 Auditor's remuneration

	2017 € 000	2016 € 000
Audit of the financial statements	21	17
Other fees paid to auditor		
The auditing of accounts of fellow Formula 1 subsidiaries	-	3
Tax advisory services	11	102
	11	105

11 Taxation

Tax charged in the income statement		
	2017 € 000	2016 € 000
Current taxation		
Payment to fellow Formula 1 subsidiaries for Group taxation relief	773	1,024
Deferred taxation		
Arising from origination and reversal of temporary differences	(603)	(503)
Arising from changes in tax rates and laws	-	104
Total deferred taxation	(603)	(399)
Tax charged in the income statement	170	625

Tax charged to the income statement is higher than (2016 - higher than) the average rate of corporation tax in the UK of 19.25% (2016-20%).

The differences are reconciled below:

	2017 € 000	2016 € 000
Profit before tax	380	2,107
Corporation tax at standard rate	73	421
Non-deductible expenses relating to loan waivers between Group companies	22	-
Effect of expense not deductible in determining taxable profit (tax loss)	(5)	11
Increase from effect of different UK current and deferred tax rates	80	89
Effect of lower tax rate on opening deferred tax balances	-	104
Total tax charge	170	625

During 2017 the main rate of UK corporation tax reduced from 20% to 19% effective 1 April 2017. Following the UK Budget held on 16 March 2016, it was announced that the main rate of UK corporation tax would reduce to 17% effective 1 April 2020. This was substantively enacted on 15 September 2016 in Finance Bill 2016.

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

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

11 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

	2017 Asset € 000	2016 Asset € 000
Accelerated tax depreciation	<u>2,878</u>	<u>2,275</u>
Deferred tax movement during the year		
	Accelerated tax depreciation € 000	Net tax assets/ (liabilities) € 000
At 1 January 2016	1,876	1,876
Recognised in income	<u>399</u>	<u>399</u>
At 31 December 2016	2,275	2,275
Recognised in income	<u>603</u>	<u>603</u>
At 31 December 2017	<u>2,878</u>	<u>2,878</u>

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

12 Property, plant and equipment

	Plant, machinery and vehicles € 000	Furniture, fittings and equipment € 000	Total € 000
Cost or valuation			
At 1 January 2016	610	262	872
Additions	5	-	5
Disposals	<u>(30)</u>	<u>-</u>	<u>(30)</u>
At 31 December 2016	585	262	847
Additions	-	12	12
Disposals	<u>-</u>	<u>(1)</u>	<u>(1)</u>
At 31 December 2017	<u>585</u>	<u>273</u>	<u>858</u>
Depreciation			
At 1 January 2016	610	259	869
Charge for year	1	2	3
Eliminated on disposal	<u>(30)</u>	<u>-</u>	<u>(30)</u>
At 31 December 2016	581	261	842
Charge for the year	<u>1</u>	<u>3</u>	<u>4</u>
At 31 December 2017	<u>582</u>	<u>264</u>	<u>846</u>

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

12 Property, plant and equipment (continued)

	Plant, machinery and vehicles € 000	Furniture, fittings and equipment € 000	Total € 000
Carrying amount			
At 31 December 2017	3	9	12
At 31 December 2016	4	1	5
At 1 January 2016	-	3	3

13 Inventories

	2017 € 000	2016 € 000
Finished goods and goods for resale	191	220

14 Financial assets

14.1 Trade and other receivables

	2017 € 000	2016 € 000
Trade receivables	7,866	5,951
Provision for impairment of trade receivables	(5,299)	(1,804)
Net trade receivables	2,567	4,147
Receivables due from other Formula 1 companies	566	81
Accrued income	345	370
Finance lease receivables (see note 16)	1,116	2,411
Other tax recoverable	837	614
	5,431	7,623
Less non-current trade and other receivables	-	(1,322)
Total current trade and other receivables	5,431	6,301

Details of current trade and other receivables

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

On 30 November 2017 an intra-group balance with GP2 Trade Marks Limited of €115k was waived and charged to other finance costs (see note 8).

Details of non-current trade and other receivables

€Nil (2016-€1.3m) of finance lease receivables were classified as non-current (see note 16).

The fair value of those trade and other receivables classified as financial instrument loans and receivables is disclosed in note 23 "Financial instruments".

The company's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in note 24 "Financial risk management and impairment of financial assets".

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

14.2 Cash and cash equivalents

	2017 € 000	2016 € 000
Cash at bank and in hand	<u>6,693</u>	<u>3,913</u>

15 Prepayments

€1.1m (2016-nil) of prepayments are classified as non-current, representing amounts relating to a finance lease agreement between the company and F2 teams. This prepayment will be released through the engine lease arrangement over the three year rental period.

Current prepayments, includes €3.1m to be released within the next 12 months relating to the finance lease agreement (2016-€4.5m). In addition current prepayments includes an amount of €3.8m (2016-nil) which relates to 2018 F2 chassis costs which will be released to the income statement on delivery of cars to the teams.

16 Finance leases

The company acts as lessor in connection with finance leases relating to the leasing of engines for use by the F2 and GP3 participant teams. The company recognises a receivable in the amount of the net investment in the lease. The lease payments made by the lessees are split into an interest component and a principal component using the effective interest method. The lease receivable is reduced by the principal received. The interest component of the payments is recognised as finance income in the income statement.

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

	2017 € 000	2016 € 000
Minimum lease payments	1,187	2,809
Unguaranteed residual value	<u>-</u>	<u>-</u>
Gross investment	1,187	2,809
Unearned finance income	<u>(71)</u>	<u>(398)</u>
Net investment (present value of minimum lease payments)	<u>1,116</u>	<u>2,411</u>

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

	Gross investment in lease	2017 € 000 PV of minimum lease payments	Gross investment in lease	2016 € 000 PV of minimum lease payments
Maturity				
Within one year	1,187	1,116	1,403	1,089
Later than one year and not later than five years	<u>-</u>	<u>-</u>	<u>1,406</u>	<u>1,322</u>
	<u>1,187</u>	<u>1,116</u>	<u>2,809</u>	<u>2,411</u>

The cost of the assets acquired for the purpose of letting under finance leases was €5.6m (2016-€8.6m).

Aggregate rentals receivable during the year in respect of finance leases totalled €5.2m (2016-€8.8m).

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

17 Share capital

Allotted, called up and fully paid shares

	No. 000	2017 € 000	No. 000	2016 € 000
1 ordinary share of £1 each	-	-	-	-

18 Financial liabilities

18.1 Trade and other payables

	2017 € 000	2016 € 000
Trade payables	6,496	1,096
Accrued expenses	1,848	1,526
Amounts due to other Formula 1 companies	1,659	1,117
Other payables	390	1,177
	<u>10,393</u>	<u>4,916</u>

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

The fair values of the trade and other payables classified as financial instruments is disclosed in note 23 "Financial instruments".

The company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in note 24 "Financial risk management and impairment of financial assets". Contractual maturities are the same as the carrying value.

19 Obligations under leases and hire purchase contracts

Operating leases

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

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

	2017 € 000	2016 € 000
Within one year	<u>12</u>	<u>12</u>

20 Reconciliation of liabilities arising from financing activities

No financing cashflows arose in the year. Cashflows arising from finance lease activities have been included within operating activities.

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

21 Dividends

No dividends were declared or paid during the year (2016-€Nil).

22 Commitments

Other financial commitments

In order to optimise cash flow the company enters into consignment stock arrangements in relation to the purchase of certain parts to be sold on to participating F2 and GP3 teams. The risks and rewards of ownership remain substantially with the supplier until the point of sale. The total amount of consignment stock held by the company at the year end was €1.6m (2016-€1.7m).

23 Financial instruments

Financial assets

Loans and receivables

	Carrying and fair value	
	2017	2016
	€ 000	€ 000
Cash and cash equivalents (see note 14.2)	6,693	3,913
Trade and other receivables (see note 14.1)	4,594	7,009
	<u>11,287</u>	<u>10,922</u>

Financial liabilities

Financial liabilities at amortised cost

	Carrying and fair value	
	2017	2016
	€ 000	€ 000
Trade and other payables (see note 18.1)	<u>10,393</u>	<u>4,916</u>

Valuation methods and assumptions

Loans and receivables

Loans and receivables are carried at amortised cost, in accordance with the accounting policy. The carrying value might be affected by changes in credit risk of the counterparties.

The fair value of each financial asset is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of cash and cash equivalents, trade receivables and other current receivables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

Financial liabilities at amortised cost

The fair value of the financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair values of trade payables and other current liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

24 Financial risk management and impairment of financial assets

The company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the company's operations. The company has trade and other receivables, and cash and short-term deposits that arise directly from its operations.

The company is exposed to market risk (including interest rate and foreign currency risk), credit risk and liquidity risk.

Management of these risks is primarily the responsibility of the company's senior finance team. The company's senior finance team ensures that the company's financial risk-taking activities are in accordance with the terms of Formula 1's external loan and borrowing arrangements.

Credit risk and impairment

The company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

The majority of the company's trade receivables are due in relation to transactions with participating F2 and GP3 teams for the supply of parts. Appropriate credit limits are set and outstanding customer balances are monitored on a regular basis.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions and the credit risk on liquid funds and derivative financial instruments is considered limited because the counterparties are banks and financial institutions with high credit-ratings assigned by international credit-rating agencies.

Limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

Loans and receivables credit risk exposure and management

At both 31 December 2017 and 31 December 2016, the maximum amount of credit risk exposure was equal to the carrying value of the company's financial assets.

Concentrations of credit risk

Outstanding customer receivables are regularly monitored against appropriate credit limits. At 31 December 2017, the company had 7 customers (2016-12 customers) that owed the company more than €100k each (2016-€100k) and accounted for approximately 100% (2016-95%) of all receivables owing. These year-end receivables were typically in respect of advanced invoicing for parts and maintenance linked to the F2 and GP3 teams' ongoing participation in the series. Receivable balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed. The company evaluates the concentration of risk with respect to trade receivables as moderate, given that the majority of the company's transactions are undertaken with the 16 teams (2016-19) competing in the F2 and GP3 series.

Collateral held as security and other debt enhancements

The company does not hold collateral as security.

Past due and impaired financial assets

The requirement for impairment is analysed at each reporting date on an individual basis.

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

24 Financial risk management and impairment of financial assets (continued)

Allowances for impairment by credit losses

	Loans and receivables € 000
At 1 January 2016	1,378
Impairment for losses charged to income	1,193
Amounts released to income (unused)	(285)
Amounts utilised	(482)
At 31 December 2016	1,804
Impairment losses charged to income	715
Amounts utilised	(315)
Provision transferred from fellow subsidiary	3,095
At 31 December 2017	5,299

Ageing of receivables

	Total € 000	Neither past due nor impaired € 000	<30 days € 000	30 - 60 days € 000	61 - 90 days € 000	Past due but not impaired 91 - 120 days € 000	>120 days € 000
At 31 December 2017	3,133	566	102	415	227	150	1,673
At 31 December 2016	4,228	81	170	1,578	310	568	1,521

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Key market risks affecting the company include interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings and deposits.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant.

The analyses exclude the impact of movements in market variables on the carrying value of provisions and on the non-financial assets and liabilities of foreign operations.

Foreign exchange risk

The company's exposure to the risk of changes in foreign exchange rates relates primarily to the company's operating activities (when revenue or expense is denominated in a different currency from the company's functional currency), albeit as the majority of the company's business is conducted in its functional currency, the euro, the risk is considered low.

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

24 Financial risk management and impairment of financial assets (continued)

Sensitivity analysis

The following analysis demonstrates the sensitivity to a reasonably possible change in US dollar and GBP exchange rates, with all other variables held constant, of the company's profit before tax (due to changes in the value of financial assets and liabilities including foreign currency derivatives). The company's exposure to foreign currency changes for all other currencies is not material.

The impact on profit before tax, and equity, of a 10% strengthening or weakening of US dollars against the Euro (assuming a year end closing rate of 1USD = 0.8338Euros) is projected as a maximum increase or decrease of €130k (2016-increase or decrease of €28k).

The impact on profit before tax, and equity, of a 10% strengthening or weakening of GBP against the Euro (assuming a year end closing rate of 1GBP=1.1271Euros) would be a maximum increase or decrease of €20k (2016-increase or decrease of €9k).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the company's cash balances and is not deemed to be material.

The company's exposure to interest rate risk is minimal given that it does not have any loans or interest bearing or generating debt.

Liquidity risk

The company maintains its continuity of funding through its terms of trade and careful monitoring of receivables.

All financial liabilities outstanding at the current and prior year end are due within one year and the contractual maturities are the same as the carrying value.

Capital risk management

The directors consider the capital of the company as most appropriately represented by equity attributable to the shareholders of the company. In assessing the management of capital, the directors review the current and forecast position in relation to EBITDA. Intra-group balances are reviewed annually, with additional interim reviews as necessary where facts and circumstances warrant. No changes were made in the objectives or processes for managing equity attributable to the shareholders of the company during the year.

25 Related party transactions

Summary of transactions with parent

Note 26 below provides information about the company's various parent undertakings.

Summary of transactions with other Delta Topco Group companies

Formula 1 companies represent fellow subsidiaries of Delta Topco (see note 26).

Transactions include recharged expenses and surrender of group relief. Related party transactions are conducted on the same terms as transactions with third parties. Outstanding balances at the year-end are unsecured and interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

Income and receivables from related parties

	Parent € 000	Other Delta Topco Group companies € 000
2017		
Settlement of liabilities	17	-
Amounts receivable from related party as at 31 December	-	566

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

25 Related party transactions (continued)

**Other Delta
Topco Group
companies
€ 000**

2016

Amounts receivable from related party as at 31 December	<u>81</u>
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Expenditure with and payables to related parties

**Other Delta
Topco Group
companies
€ 000**

2017

Hospitality purchases	86
Expenses recharged	204
Sporting and technical services	<u>371</u>
Total related party transactions	<u>661</u>
Amounts payable to related party as at 31 December	<u>930</u>

**Other Delta
Topco Group
companies
€ 000**

2016

Hospitality purchases	41
Expenses recharged	1,832
Group relief surrendered	1,024
Sporting and technical services	<u>300</u>
Total related party transactions	<u>3,197</u>
Amounts payable to related party as at 31 December	<u>1,117</u>

26 Parent and ultimate parent undertaking

On 7 December 2017 Omega Group Holdings Limited distributed its shareholding in the company to Alpha Topco Limited. Prior to that date Omega Holdings Limited owned 100% of the issued ordinary shares of the company.

The company's immediate parent undertaking is therefore now Alpha Topco Limited, a company incorporated in Jersey, for which financial statements are not publicly available. Alpha Topco Limited is owned by a wholly-owned subsidiary of Delta Topco Limited.

Prior to 23 January 2017 Delta Topco Limited was considered the company's ultimate parent undertaking and was majority controlled by funds managed and/or advised by CVC Capital Partners SICAV - FIS S.A., its subsidiaries or affiliates. On 23 January 2017 Delta Topco Limited was acquired by a wholly-owned subsidiary of Liberty Media Corporation.

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

26 Parent and ultimate parent undertaking (continued)

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 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.

27 Changes in accounting policy

New standards, interpretations and amendments effective

The following have been applied for the first time from 1 January 2017 and have had an effect on the financial statements:

IAS 7 Disclosure Initiative-Amendments to IAS 7

These amendments to IAS 7 introduce an additional disclosure that will enable users of the financial statements to evaluate changes in liabilities arising from financing activities.

Other than mentioned below, none of the other standards, interpretations and amendments, which are effective for periods beginning after 1 January 2017 and which have not been adopted early, are expected to have a material effect on the financial statements.

New standards, interpretations and amendments not yet effective

The following newly issued but not yet effective standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the company financial statements in future:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. The company plans to adopt the new standard on the required effective date and does not plan to provide comparative information. During 2017, the company has performed an impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the company in the future. Overall, the company expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The company does not expect any impact on equity (see paragraph (b) below).

(a) Classification and measurement

The company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the company expects that these will continue to be measured at amortised cost under IFRS 9.

(b) Impairment

IFRS 9 requires the company to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The company does not expect any negative impact on its equity at 1 January 2018.

(c) Hedge accounting

The company does not expect to use hedge accounting under IFRS 9.

Formula Motorsport Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

27 Changes in accounting policy (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is 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 principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The company will adopt the new standard on the required effective date, under the modified retrospective application. Application of the standard will result in additional disclosure provided by the company, but is not expected to have any impact on the annual revenue reported and no adjustment to equity at 1 January 2018 is expected.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017, the company conducted an initial assessment of the impact of IFRS 16 on a sample of its leases. The company has one lease currently treated as an operating lease, and expensed in the Income Statement under IAS 17, which will require recognition as fixed assets and lease liabilities under IFRS 16. The initial assessment included the assessment of IFRS 16 on the Income Statement. The result was that, on a lease by lease basis, there will be a negative effect on profit in the early years of a lease which is then reversed by a positive effect on profit in the later years of the lease. This is because the depreciation and finance lease charges under IFRS 16 are greater in the earlier years than the operating lease rental charge was under IAS 17. In the later years, this effect reverses. The impact of IFRS 16 on the company is not expected to be material due to the relatively low value of the lease.

The company plans to further assess the potential effect of IFRS 16 on its financial statements during 2018.

Interpretation IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt.

The company has chosen to apply the interpretation prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied, which is 1 January 2018.

The adoption of IFRIC 22 is not expected to have any material impact on the company.