

**Company Registration No. 08412477**

**Formula E Operations Limited**

**Annual Report and Financial Statements**

**For the year ended 31 July 2016**

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# **Formula E Operations Limited**

## **Annual report and financial statements for the year ended 31 July 2016**

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# **Formula E Operations Limited**

## **Officers and professional advisers**

### **Directors**

Alejandro Agag Longo  
Alberto Luis Alvarez de Sotomayor Longo  
Michael Papadimitriou

### **Registered Office**

3 Shortlands  
9<sup>th</sup> Floor  
Hammersmith  
London W6 8DA

### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London  
United Kingdom

# Formula E Operations Limited

## Strategic report

The directors present their strategic report for the year ended 31 July 2016.

### Review of the business

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

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

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

### Key performance indicators

The results are set out on pages 8. The loss for the year ended 31 July 2016 is €35,248,099 (2015: loss €58,500,986).

Ten races at nine locations (including a double-header season finale in London) were staged. Over 270,000 people attended the races, 192 million viewers watched on TV and the series generated over 4.4 billion social media impressions.

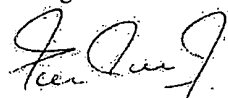
The Company experienced a significant increase in revenues as result of completed restructuring of the Group in which majority of sponsorship and broadcasting agreements were novated to the Company from another group entity. The operating loss has therefore decreased from €62.7 million to €33.7 million in 2015 and 2016, respectively.

Fixed assets of the Group have also been transferred into the Company during the financial year, resulting in increase in the asset base (see note 9 and 10 for more details).

### Principal risks and uncertainties

As a principal risk of the Company, the directors consider a potential creation of a similar kind of electric car racing championship which could limit sponsorship interest as well as audience and therefore limit the growth of Formula E Championship. The important factor in the success of the whole Group is also generating interest from manufacturers to enter the Championship as well as continuing investment. However, we believe the attractiveness of electric city street racing, broadcasting appeal it creates for viewership and driving advertising revenues as well as online gaming presence should distinguish the uniqueness of the Championship. Further risks to profitability include the Company's exposure to foreign exchange movements as it organises events worldwide. These can be, however, mitigated by entering into natural as well as future hedging arrangements.

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



Alejandro Agag Longo  
Director, 26 May 2017

# **Formula E Operations Limited**

## **Directors' report for the year ended 31 July 2016**

The directors present the annual report and the audited financial statements for the year ended 31 July 2016.

### **Principal activities**

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

During the year the Company started and successfully completed the second season of races. The 2015/2016 Championship calendar consisted of nine racing events. The directors consider the performance of the Company during the year to be satisfactory and in line with expectations.

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

### **Results and dividend**

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

The Company is part of the Group which had the restructuring in the previous financial year. As result of that review, certain agreements were amended and new agreements put in place, resulting in additional intercompany recharges between the Group companies to reflect the arm's length nature of the intercompany arrangements. This restructuring was completed during this financial year.

The results of the Company are included in the financial statements on pages 8 to 28.

The directors do not recommend the payment of a dividend (2015: €nil).

### **Future developments**

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

### **Directors**

The directors who served throughout the year were:

Alejandro Agag Longo

Michael Papadimitriou

Alberto Luis Alvarez de Sotomayor Longo

Kevin Alan Still (resigned 31 August 2015)

During the year ended 31 July 2016, the Company's ultimate parent company, Formula E Holdings Limited maintained insurance for the directors to indemnify them against certain liabilities which they may incur in their capacity as directors or officers of the Company, including liabilities in respect of which the Company itself is unable to provide an indemnity.

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

## **Formula E Operations Limited**

### **Directors' report for the year ended 31 July 2016 (continued)**

#### **Financial risk management objectives and policies**

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

The financial risks identified above have been considered as part of the Company's financial risk management strategy, which is documented in note 23 of these financial statements.

#### **Going concern**

The Company is a wholly-owned subsidiary of Formula E Holdings Limited (the "Group"). The Company incurred significant losses in the amount of €35.2 million (2015: €58.5 million) during the year and reported net liabilities in the amount of €107.2 million (2015: €72.1 million) at the end of the financial year. As the commercial rights holder to the Championship the Group has considerable financial resources together with long-term contracts with a number of customers spread across different geographic areas and industries. The Group successfully closed another round of funding in January and March 2016, raising approximately €27 million. Another round of funding for additional €33 million closed during the following financial year. As a consequence the directors believe the Group and Company is well placed to manage its business risks successfully despite the ongoing uncertain economic outlook and the Group and Company has adequate resources available to continue its operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing its annual report and financial statements.

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

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

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

#### **Subsequent events**

The Company entered its third racing season.

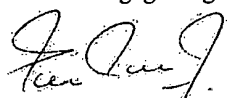
Another round of funding for additional €33 million closed during the following financial year.

#### **Auditor**

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

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

Aleandro Agag Longo



Director, 26 May 2017

## **Formula E Operations Limited**

### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We have audited the financial statements of Formula E Operations Limited for the year ended 31 July 2016 which comprise the Income Statement, the Statement of Changes in Equity, the Balance sheet, the Statement of Cash flows and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



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

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.



Makhan Chahal ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
26th May 2017

## Formula E Operations Limited

### Income statement For the year ended 31 July 2016

	Notes	2016 €	2015 €
<b>Continuing operations</b>			
Revenue	2	56,607,216	19,750,192
Cost of sales		<u>(81,229,639)</u>	<u>(75,699,192)</u>
<b>Gross loss</b>		<u>(24,622,423)</u>	<u>(55,949,000)</u>
Administrative expenses		<u>(9,119,560)</u>	<u>(6,768,418)</u>
<b>Operating loss</b>	3	<u>(33,741,983)</u>	<u>(62,717,418)</u>
Finance income	7	2,629	272
Financial costs	7	<u>(816,925)</u>	<u>(10,552)</u>
Foreign exchange (loss)/gain		<u>(691,820)</u>	<u>4,226,712</u>
<b>Loss before tax</b>		<u>(35,248,099)</u>	<u>(58,500,986)</u>
Taxation	8	-	-
<b>Total comprehensive loss for the year</b>		<u><u>(35,248,099)</u></u>	<u><u>(58,500,986)</u></u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translation		-	<u>(6,443,205)</u>
<b>Total comprehensive expense for the year</b>		<u><u>(35,248,099)</u></u>	<u><u>(64,944,191)</u></u>

The above results were derived from continuing operations.

The accompanying notes are an integral part of the Income statement.

## Formula E Operations Limited

### Statement of changes in equity Year ended 31 July 2016

	Share capital €	Retained earnings €	Exchange reserve €	Total equity €
<b>Balance as at 31 July 2014</b>	1	(6,978,580)	-	(6,978,579)
Loss and total comprehensive loss for the year ended 31 July 2015	-	(58,500,986)	-	(58,500,986)
Change in presentation currency	-	-	(6,443,205)	(6,443,205)
<b>Balance as at 31 July 2015</b>	<u>1</u>	<u>(65,479,566)</u>	<u>(6,443,205)</u>	<u>(71,922,770)</u>
Loss and total comprehensive loss for the year ended 31 July 2016	-	(35,248,099)	-	(35,248,099)
<b>Balance as at 31 July 2016</b>	<u>1</u>	<u>(100,727,665)</u>	<u>(6,443,205)</u>	<u>(107,170,869)</u>

The accompanying notes are an integral part of this Statement of changes in equity.

The exchange reserve arose during the year due to the change in functional and presentation currency during the year (see note 1).

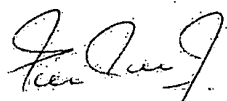
## Formula E Operations Limited

### Balance sheet As at 31 July 2016

	Notes	2016 €	2015 €
<b>Non-current assets</b>			
Intangible assets	9	2,049,190	259,760
Property, plant and equipment	10	17,930,872	12,737,358
Trade and other receivables	11	98,183	92,957
		<u>20,078,245</u>	<u>13,090,075</u>
<b>Current assets</b>			
Inventories	12	1,302,621	1,085,620
Trade and other receivables	11	18,902,752	11,068,832
Cash and cash equivalents	13	10,613,487	3,235,544
		<u>30,818,860</u>	<u>15,389,996</u>
<b>Current liabilities</b>			
Trade and other payables	14	(24,469,300)	(12,435,296)
Amounts owed to parent company	14	(133,598,674)	(87,967,545)
<b>Net current liabilities</b>		<u>(127,249,114)</u>	<u>(85,012,845)</u>
<b>Net liabilities</b>		<u>(107,170,869)</u>	<u>(71,922,770)</u>
<b>Equity</b>			
Capital and reserves			
Share capital	17	1	1
Retained earnings	18	(100,727,665)	(65,479,566)
Exchange reserve		<u>(6,443,205)</u>	<u>(6,443,205)</u>
<b>Total deficit</b>		<u>(107,170,869)</u>	<u>(71,922,770)</u>

The financial statements of Formula E Operations Limited, registered number 08412477 were approved by the Board of directors on 26 May 2017.

Signed on behalf of the Board of directors



Alejandro Agag Longo  
Director

## Formula E Operations Limited

### Statement of Cash flows Year ended 31 July 2016

	Notes	2016 €	2015 €
<b>Cash flows from operating activities</b>			
Cash generated from operations	19	(25,384,517)	(60,606,406)
Interest paid		(22)	(10,552)
Interest received		2,629	272
<b>Net cash used in operations</b>		<u>(25,381,910)</u>	<u>(60,606,406)</u>
<b>Investing activities</b>			
Purchase of intangible assets		(2,309,486)	(175,751)
Payment to acquire property, plant and equipment		(12,407,969)	(6,793,680)
Proceeds from sale of property, plant and equipment		1,084,647	100,365
<b>Net cash used in investing activities</b>		<u>(13,632,808)</u>	<u>(6,869,066)</u>
<b>Financing activities</b>			
New loans and advances		45,631,129	69,693,683
<b>Net cash generated by financing activities</b>		<u>45,631,129</u>	<u>69,693,683</u>
<b>Cash and cash equivalents at beginning of year</b>		3,235,544	1,253,163
Foreign exchange		761,531	(495,502)
<b>Cash and cash equivalents at end of year</b>	13	<u>10,613,487</u>	<u>3,235,544</u>

# Formula E Operations Limited

## Notes to the financial statements Year ended 31 July 2016

### 1. Accounting policies

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

#### Basis of preparation

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

The financial statements have been prepared under the historical cost convention with the exception of certain financial instruments that are held at fair value. The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied for all of the periods presented, except for the change in the presentation currency and functional currency below.

#### Critical accounting judgements and key sources of estimation uncertainty

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

#### Going concern

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

#### Loss from operations

Loss from operations is stated after restructuring costs and the inclusion of all operating items, but before financing costs.

#### Revenue recognition

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

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

Interest income is accrued on a time basis.

# Formula E Operations Limited

## Notes to the financial statements (continued)

Year ended 31 July 2016

### 1. Accounting policies (continued)

#### Intangible assets

Intangibles are capitalised and stated at cost less amortisation and accumulated impairment losses. Amortisation is provided at rates calculated to write off the cost of intangible assets over their useful lives on the following bases:

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

#### Plant property and equipment

Plant property and equipment is stated at cost less depreciation and accumulated impairment losses. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

IT equipment	-	3 years' straight-line
Car Equipment	-	4 years' straight-line
Office equipment	-	5 years' straight-line
Race equipment	-	5-7 years' straight-line
Other installations	-	10 years' straight-line

#### Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks and impairment. Cost is calculated using the average cost method and consists of material and direct labour costs and appropriate proportion of production overheads.

#### Financial instruments

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

#### Financial assets

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

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

#### Financial liabilities

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

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

## Formula E Operations Limited

### Notes to the financial statements (continued)

Year ended 31 July 2016

#### 1. Accounting policies (continued)

##### Fair Value

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

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

##### Share based scheme

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

This expense would normally be recognised over the vesting period of the shares, from the issue date to the expected vesting date (being the date of an expected realisation event). The recognition of fair value is normally adjusted if the holder of the shares ceases to be an employee during the vesting period. See note 20.

##### Income taxes, including deferred income taxes

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

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

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



# **Formula E Operations Limited**

## **Notes to the financial statements (continued)**

**Year ended 31 July 2016**

### **1. Accounting policies (continued)**

#### **Foreign currencies**

##### **Change in presentation currency**

From 1 August 2015 the Company changed its presentation currency to Euro's. Comparative information has been restated in accordance with the guidance defined in IAS 21.

##### **Change in functional currency**

IAS 21 refers to the functional currency as the currency of the primary economic environment in which the company operates. Following the restructuring of the Group's activities with the subsequent impact of the Company's activities involving increased Euro denominated revenue, it has considered that the functional currency has changed to Euro, effective 1 August 2015. In accordance with IAS 21 the change has been accounted for prospectively from the date. Foreign exchange volatility is expected to be significantly reduced following the transition as the Company's currency exposures are more closely matched to its functional and presentational currency.

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

##### **New standards and interpretations**

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

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

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

## **Formula E Operations Limited**

### **Notes to the financial statements (continued)** **Year ended 31 July 2016**

#### **1. Accounting policies (continued)**

##### **Impairment**

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

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

##### **Provisions**

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

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

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

# Formula E Operations Limited

## Notes to the financial statements (continued) Year ended 31 July 2016

### 2. Revenue

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

	2016 €	2015 €
<b>Continuing operations</b>		
Rendering of services	12,408,102	12,125,083
Sale of spare parts and other asset	5,256,494	4,957,726
Sponsorship and other revenue	38,942,620	2,667,383
<b>Total revenue</b>	<b>56,607,216</b>	<b>19,750,192</b>

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

### 3. Operating loss

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

	2016 €	2015 €
Depreciation	5,001,351	1,725,529
Amortisation	459,085	114,801
Staff costs (see note 5)	7,729,599	6,863,344
(Gain) / Loss on disposal of fixed assets	(81,475)	156,042
Restructuring costs	89,374	178,487
Auditor's remuneration for audit services (see note 4)	48,108	70,754
Intercompany recharges and royalties payable to parent company	2,426,656	22,157,686

Restructuring costs were incurred in the year related to redundancy costs incurred by the Company. Intercompany recharges and royalties payable to parent company were incurred as part of the restructuring review of the intercompany relationships and agreements.

Payments under operating leases recognised as an expense in the year were €282,066 (2015: €284,415), the contract ends in March 2019 and is payable on a quarterly basis.

### 4. Auditor's remuneration

	2016 €	2015 €
Audit services		
- statutory audit fees	48,108	70,754
Tax advisory fees	123,610	12,015
Other advisory fees	34,609	-
<b>Total</b>	<b>206,327</b>	<b>82,769</b>

No amounts for other services have been paid to the auditor.

## Formula E Operations Limited

### Notes to the financial statements (continued) Year ended 31 July 2016

#### 5. Staff costs

The average monthly number of employees (including executive directors) employed by the Company was 74 (2015: 29).

Their aggregate remuneration comprised:

	2016 €	2015 €
Wages and salaries (including Employee Share Scheme)	5,083,491	4,605,494
Social security costs and payroll tax	2,646,108	2,257,850
	<u>7,729,599</u>	<u>6,863,344</u>

#### 6. Directors' emoluments

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

	2016 €	2015 €
Salaries and fees	1,283,518	349,643
	<u>1,283,518</u>	<u>349,643</u>

No directors have accrued benefits under Company pension schemes.

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

The highest paid individual director's remuneration was €461,440 (2015: €189,446).

#### 7. Finance income and financial costs

	2016 €	2015 €
Bank interest income	2,629	272
Financial loss from loss on derivatives	(816,903)	-
Bank interest	(22)	(10,552)
Financial costs	<u>(816,925)</u>	<u>(10,552)</u>

## Formula E Operations Limited

### Notes to the financial statements (continued) Year ended 31 July 2016

#### 8. Taxation

	2016 €	2015 €
<b>Continuing operations</b>		
<b>Current tax:</b>		
UK corporation tax	-	-
<b>Deferred tax</b>		
Current year charge	-	-
	<u>-</u>	<u>-</u>
<b>Total tax charge</b>	<u>-</u>	<u>-</u>

Corporation tax is calculated at 20.0% (2015: 20.7%) of the estimated assessable profit for the year.

The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2016 £	2015 €
Loss before tax:	(35,248,099)	(58,500,986)
Tax at the UK corporation tax rate of 20.0 % (2015: 20.7%)	7,432,426	15,795,266
Non-deductible expenses	(22,849)	(4,815)
Deferred tax not provided	(7,409,577)	(15,410,322)
Other	-	(380,129)
	<u>-</u>	<u>-</u>
<b>Total tax charge</b>	<u>-</u>	<u>-</u>

The Company has not recognised a deferred tax asset of approximately €20.5 million (2015: €15.4 million) of tax losses carried forward due to insufficient certainty of future profits.

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. These rate reductions have been reflected in the estimation of deferred tax asset at the balance sheet date.

The Government has enacted further reductions in the main tax rate down to 17% effective from 1 April 2020. As this tax rate was not substantively enacted at the balance sheet date, the relevant rate reduction is not yet reflected in the estimates in accordance with IAS 10, as it is a non-adjusting event occurring after the reporting period.

As these tax rates were not substantively enacted at the balance sheet date this is a non-adjusting event occurring after the reporting period. We estimate that the future rate change to 17% would reduce our unrecognised deferred tax asset at balance sheet date to €19.4 million. The actual impact will be dependent on our deferred tax position at that time.

## Formula E Operations Limited

### Notes to the financial statements (continued) Year ended 31 July 2016

#### 9. Intangible assets

	Trademarks €	Cars – Intangible €	Intellectual property €	Software €	Total €
<b>Cost</b>					
At 31 July 2014	-	-	4,550	269,549	274,099
Additions	-	-	24,000	148,751	172,751
Reclassifications	-	-	(4,550)	(25,199)	(29,749)
Disposals	-	-	-	(63,975)	(63,975)
At 31 July 2015	-	-	24,000	329,126	353,126
Additions	87,160	-	331,945	347,385	766,490
Transfer from a holding company	618,626	710,959	144,769	68,642	1,542,996
Disposals	-	-	(76,179)	-	(76,179)
At 31 July 2016	705,786	710,959	424,535	745,153	2,586,433
<b>Amortisation</b>					
At 31 July 2014	-	-	4,273	9,700	13,973
Amortisation	-	-	1,200	113,601	114,801
Reclassifications	-	-	(4,273)	(5,749)	(10,022)
Disposals	-	-	-	(25,386)	(25,386)
At 31 July 2015	-	-	1,200	92,166	93,366
Amortisation	50,062	160,543	57,778	190,702	459,085
Disposals	-	-	(15,208)	-	(15,208)
At 31 July 2016	50,062	160,543	43,770	282,868	537,243
<b>Net book value</b>					
At 31 July 2016	655,724	550,416	380,765	462,285	2,049,190
At 31 July 2015	-	-	22,800	236,960	259,760

The intellectual property asset relates to a logo designed by an external company and race track designs. New categories of assets were added due to the transfer of assets from a holding company.

New categories of assets were added due to the transfer of assets from a holding company.

The amortisation charge is included within administrative expenses.

## Formula E Operations Limited

### Notes to the financial statements (continued) Year ended 31 July 2016

#### 10. Property, plant and equipment

	Office & IT equipment €	Car equipment €	Race equipment €	Other installation €	Total €
<b>Cost</b>					
At 31 July 2014	792,619	-	1,156,712	4,902,133	6,851,464
Additions	322,184	840,376	6,968,871	(144,811)	7,986,620
Reclassifications	327,811	788,179	(154,635)	(931,606)	29,749
Disposals	(291,805)	(38,498)	-	-	(330,303)
At 31 July 2015	1,150,809	1,590,057	7,970,948	3,825,716	14,537,530
Additions	-	149,267	2,878,825	32,399	3,060,491
Transfer from a holding company	-	9,626,267	593,176	83,036	10,302,479
Disposals	(3,685)	(990,401)	(2,186,140)	-	(3,180,226)
At 31 July 2016	1,147,124	10,375,190	9,256,809	3,941,151	24,720,274
<b>Depreciation</b>					
At 31 July 2014	10,614	-	28,071	124,796	163,481
Charge for the year	355,046	235,588	520,510	614,385	1,725,529
Reclassifications	44,630	196,684	(21,750)	(209,542)	10,022
Disposals	(98,860)	-	-	-	(98,860)
At 31 July 2015	311,430	432,272	526,831	529,639	1,800,172
Charge for the year	308,417	2,387,223	1,827,527	478,184	5,001,351
Disposals / Other adjustments	-	527,698	(534,369)	(5,450)	(12,121)
At 31 July 2016	619,847	3,347,193	1,819,989	1,002,373	6,789,402
At 31 July 2016	<u>527,277</u>	<u>7,027,997</u>	<u>7,436,820</u>	<u>2,938,778</u>	<u>17,930,872</u>
At 31 July 2015	<u>839,379</u>	<u>1,157,785</u>	<u>7,444,117</u>	<u>3,296,077</u>	<u>12,737,358</u>

New categories of assets were added due to the transfer of assets from a holding company.

The depreciation charge is included within administrative expenses.

## Formula E Operations Limited

### Notes to the financial statements (continued) Year ended 31 July 2016

#### 11. Trade and other receivables

	2016 €	2015 €
<b>Non-Current</b>		
Financial assets- rental deposits	98,183	92,957
<b>Current</b>		
Trade receivables	10,570,496	7,179,584
Prepayments	3,096,902	688,687
VAT receivable	1,631,040	2,257,026
Accrued income and other receivable	3,604,314	943,535
	<u>18,902,752</u>	<u>11,068,832</u>

An allowance for non-recoverability of trade receivables has been made where, in the opinion of the directors, trade receivables are not recoverable at their book value. Any trade receivables where it is felt that recovery of the debt is uncertain are provided against in full. Trade receivables are stated net of related allowances for non-recoverable debts.

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

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

Trade receivables are non-interest bearing and generally have a 30 day term.

As at 31 July 2016 trade receivables of €4,692,072 (2015: €2,347,224) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2016 €	2015 €
Up to 30 days past due	1,982,367	1,094,583
30 to 60 days past due	607,311	536,757
60 or 90 days past due	1,259,339	198,482
Over 90 days past due	843,055	517,402
	<u>4,692,072</u>	<u>2,347,224</u>

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

	2016 €	2015 €
At 1 August	729,154	719,371
Charge for the year	(574,199)	9,783
At 31 July	<u>154,955</u>	<u>729,154</u>

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



## Formula E Operations Limited

### Notes to the financial statements (continued) Year ended 31 July 2016

#### 12. Inventories

	2016 €	2015 €
Raw materials	1,302,621	1,085,620
	<u>1,302,621</u>	<u>1,085,620</u>

The total inventory recognised in cost of sales during the year is €3,370,262 (2015: €3,954,361). The amount above contains an inventory impairment provision in the amount of €833,209 (2015: €1,075,000).

#### 13. Cash and cash equivalents

	2016 €	2015 €
Cash at bank and in hand	<u>10,613,487</u>	<u>3,235,544</u>

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

#### 14. Trade and other payables

	2016 €	2015 €
<b>Current</b>		
Trade payables	7,579,030	6,943,665
Other taxes and social security	263,133	228,103
Other payables and provisions	1,249,393	513,364
Deferred income	5,253,880	1,803,923
Accruals	10,123,864	2,946,241
Amounts owed to the parent company	<u>133,598,674</u>	<u>87,967,545</u>
	<u>158,067,974</u>	<u>100,402,841</u>

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

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

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

## Formula E Operations Limited

### Notes to the financial statements (continued) Year ended 31 July 2016

#### 15. Derivative financial instruments

	2016 EUR	2015 EUR
Foreign currency forward contracts, net	(816,903)	-

The balance represents the foreign currency forward contracts entered by the Company with the hedging agent. As part of the trade the Company is required to hold collateral deposits with the counterparty.

As at 31 July 2016, the Company had the following outstanding foreign currency forward contracts, which were related to the purchase of GBP. The terms of these contracts were as follows:

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

The foreign currency forward contracts are measured at the fair value at the end of each reporting period. During the year ending July 31, 2016, fair value loss of €816,903 was recognized in the Income statement relating to the change in fair value of foreign currency forward contracts (31 July 2015: nil).

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

#### Fair Value estimation

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

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

## Formula E Operations Limited

### Notes to the financial statements (continued)

Year ended 31 July 2016

#### 16. Share-based payment

##### a) Types of share-based payments

As part of the investment round on 7 May 2015, an option pool of 4,251 Growth shares was created for the primary purpose of providing incentives to directors and eligible employees. An additional allocation of 395 Growth shares was separately reserved for the CEO of the Group and Company (Alejandro Agag Longo). The Group and Company's Board of Directors have the option to issue as many tranches and vesting profile as it sees fit. It was the Board's intention to issue an initial tranche to certain individuals, with potential for further discretionary tranches thereafter. The option to allocate the Growth shares under the scheme has no expiry date. The shares are issued by Formula E Holdings. As employees are employed by Formula E Operations, the Company reimburses Formula E Holdings Ltd for the fair value of the shares issues through the period.

On 10 December 2015, the Board authorised the allotment and issuance of 1,713 such shares eligible to existing employees of the Company and also the 395 shares reserved for the CEO. The proposed scheme to deliver the option pool was a UK-backed Employee Share Scheme ("ESS") involving delivery of shares which allow management participate in any equity growth above a pre-defined hurdle value at issuance (note some employees are not eligible due to their country of domicile or employment status and have been issued Growth shares outside the ESS with the same rights).

At 31 July 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 2,538 (31 July 2015: n/a), representing 6.4% (31 July 2015: n/a) of the shares of the Formula E Holdings Ltd in issue at that date. There are no restrictions over the number of options which may be granted under the Scheme in terms of % of the shares of the Company in issue at any point in time. Any further issue of shares under the scheme must be approved in advance by the Board of Directors.

Details of specific categories of options are as follows:

ESS	Date of grant	Vesting period (years)	Exercise period (years)	Exercise price EUR	Exercise date
Type A Growth shares	10 December 2016	5.92	5.92	6,653	7 <sup>th</sup> November 2021

The shares were issued at the pre-agreed hurdle rate of €200 million. The Growth shares are only capable of delivering return on exit event to the extent that the equity value of the Company exceeds €200 million. The vesting period currently assumed reflects management's best estimate of the timeframe in which this would be achieved.

##### b) Number and weighted average exercise price of share options

Option Type	Outstanding at 1/8/2015	Granted during year	Exercise d during year	Outstanding at 31/07/2016
Type A	-	2,108	-	2,108

## Formula E Operations Limited

### Notes to the financial statements (continued) Year ended 31 July 2016

#### 17. Share-based payment (continued)

##### c) Fair value calculation

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

	2016	2015
Weighted average share price	€5,416	-
Exercise price	€6,653	-
Expected volatility	46.43%	-
Risk-free rate	1.23%	-
Expected dividend yield	-	-
Other inputs	n/a	-

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

The Company recognised the total expense of €485,700 for the year ended 31 July 2016 (31 July 2015: nil) in relation to accretion value of the Growth shares during the year.

#### 18. Share capital

	2016 €	2015 €
Allotted, called up and fully paid 1 ordinary shares of £1	<u>1</u>	<u>1</u>

#### 19. Reserves

	€
Balance at 31 July 2014	(6,978,579)
Total comprehensive loss for the year ended 31 July 2015	<u>(58,500,986)</u>
Balance at 31 July 2015	(65,479,566)
Total comprehensive loss for the year ended 31 July 2016	<u>(35,248,099)</u>
Balance at 31 July 2016	(100,727,665)

## Formula E Operations Limited

### Notes to the financial statements (continued) Year ended 31 July 2016

#### 20. Notes to the statement of cash flows

	2016 €	2015 €
Loss before taxation	(35,248,099)	(58,500,986)
Depreciation	5,001,351	1,725,529
Amortisation	459,085	114,801
Exceptional restructuring costs (movement in provision)	(77,491)	190,863
Costs of sold fixed assets	990,401	258,502
Increase in inventories	(3,345,473)	(4,247,484)
Increase in payables	12,034,004	3,686,377
Increase in receivables	(7,833,920)	(5,384,647)
Increase in provisions	-	1,265,863
Fair value change in derivatives	816,903	-
Write off of assets	1,818,722	284,776
Cash generated from operations	(25,384,517)	(60,606,406)

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

#### 21. Related party transactions

During the year, the Company held a loan from Formula E Holdings Limited, its parent. At the year-end €133,598,674 (2015: €87,967,545) was owed by the Company to Formula E Holdings Limited and is included within current liabilities. Net increase during the year of €45,631,129 included the transfer of fixed assets from Formula E Holdings in the amount of €11,845,475.

The Company also provides services to both its parent and another group company, Formula E Rights Limited which are reflected in the financial statements.

#### Key Management Personnel

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

#### 22. Parent undertaking and controlling party

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

#### 23. Financial risk management

The Company's major financial instruments include bank balances, amounts due from subsidiaries, deposits paid, trade and other receivables, amount due to holding company, amount due from a related company, amounts due to related companies, deposit received, trade and other payables. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## Formula E Operations Limited

### Notes to the financial statements (continued) Year ended 31 July 2016

#### 23. Financial risk management (continued)

##### *Credit risk*

As at 31 July 2016, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

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

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk. The maximum credit exposure to credit risk at the reporting date was:

	2016 €	2015 €
Cash and cash equivalents	10,613,487	3,235,544
Trade and other receivables	18,902,752	11,068,832
	<u>29,516,239</u>	<u>14,304,376</u>

##### *Interest rate risk*

The management monitors interest rate exposure on ongoing basis and will consider hedging significant interest rate exposure should the need arises.

##### *Liquidity risk*

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

##### *Capital risk management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital.

The Company defines capital as being share capital plus reserves.

##### *Foreign exchange risk*

A portion portion of the Company's revenues and operating costs are denominated in Sterling. The exposure to foreign currency fluctuation is not managed through the use of derivative contracts, in that the Company has entered into forward arrangements to fix its costs on a medium outlook period.