

# Formula One Digital Media Limited

Strategic Report, Directors' Report and Financial Statements

for the Year Ended 31 December 2019

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# Formula One Digital Media Limited

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# Formula One Digital Media Limited

## Glossary of abbreviated terms

The following abbreviated terms are used in the Strategic Report, Directors' Report and the Financial Statements:

### (i) Abbreviations of the names of parent and subsidiary entities

"Delta Topco"	Delta Topco Limited (parent company of Formula 1)
"Formula 1" or "Group"	Delta Topco and its subsidiaries
"FOWC"	Formula One World Championship Limited (a Formula 1 subsidiary)
"Liberty"	Liberty Media Corporation (the ultimate parent undertaking of Formula 1)

### (ii) Other abbreviations used

"the Championship"	FIA Formula One World Championship®
"CRH"	Commercial Rights Holder
"EU"	European Union
"FIA"	Fédération Internationale de l'Automobile
"FRS 101"	Financial Reporting Standard 101 'Reduced Disclosure Framework'
"GAAP"	Generally Accepted Accounting Principles
"IAS"	International Accounting Standard
"IFRS"	International Financial Reporting Standard

## **Formula One Digital Media Limited**

### **Company Information**

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

## Formula One Digital Media Limited

### Strategic Report for the Year Ended 31 December 2019

The directors present their Strategic Report, Directors' Report and the Financial Statements for the year ended 31 December 2019.

Abbreviations used in the Strategic Report, Directors' Report and the Financial Statements are defined in the Glossary of abbreviated terms (see page 1).

#### Principal activity

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

#### Parent company

On 23 January 2017 the company's then ultimate parent undertaking Delta Topco Limited ("Delta Topco") was acquired by Liberty Media Corporation ("Liberty"). Delta Topco and its subsidiaries will collectively be referred to herein as "Formula 1" or the "Group".

#### Review of the business

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

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

	2019 \$ m	2018 \$ m	Change \$ m	Change %
Turnover (see note 7)	35.4	22.0	13.4	61%
Cost of sales excluding FOWC sub-licence fees (see note 9(b))	(25.6)	(20.1)	(5.5)	27%
Administrative expenses excluding amortisation & FX (see note 9(c))	(4.5)	(3.0)	(1.5)	50%
EBITDA pre-FOWC sub-licence fees & FX	<u>5.3</u>	<u>(1.1)</u>	<u>6.4</u>	<u>(582%)</u>
FOWC sub-licence fees	(2.3)	(1.0)	(1.3)	130%
FX (losses)/gains (see note 8)	<u>(0.7)</u>	<u>0.5</u>	<u>(1.2)</u>	<u>(240%)</u>
EBITDA (see note 9(a))	<u><u>2.3</u></u>	<u><u>(1.6)</u></u>	<u><u>3.9</u></u>	<u><u>(244%)</u></u>
Operating profit/(loss)	<u><u>0.3</u></u>	<u><u>(2.1)</u></u>	<u><u>2.4</u></u>	<u><u>(114%)</u></u>

Revenues totalling \$35.4m (2018-\$22.0m) were generated from digital services including sales of The Official F1® App and the licensing of online ticketing and merchandise rights. Revenue grew strongly, up by \$13.4m (61%) driven by the full year of new product offerings which were launched during 2018 including the F1 TV Pro service, updated mobile applications, and increased sales of digital advertising inventory.

Having incurred costs of \$25.6m (2018-\$20.1m) in respect of the ongoing development and operation of the various social and digital platforms, and sales costs linked to other commercial activities, the company generated a significant improvement in EBITDA pre-FOWC sub-licence fees & FX, which was reported at \$5.3m, \$6.4m higher than the prior year loss of \$1.1m.

## Formula One Digital Media Limited

### Strategic Report for the Year Ended 31 December 2019

After deducting costs of sub-licence fees payable to FOWC of \$2.3m (2018-\$1.0m) and a foreign exchange loss of \$0.7m (2018-gain of \$0.5m), the EBITDA was reported at \$2.3m, \$3.9m above the prior year EBITDA loss of \$1.6m.

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

#### **Principal risks and uncertainties**

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

#### **Business risk**

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

In 2001 SLEC, a fellow Group company, entered into and funded a series of agreements, the counterparties to which were itself, other Group companies and the FIA, and under which the FIA continues to provide regulatory services and one of the Group companies, FOWC, became the CRH to the Championship for a period of 100 years commencing from 1 January 2011.

Since the expiry of the 2009 Concorde Agreement at the end of 2012, the Championship has operated under the terms of additional agreements between FOWC, the participating teams and the FIA, and pursuant to which the teams have continued to participate in the Championship. With the approaching expiry of the team agreements at the end of 2020, the Group continues discussions with the teams aimed at agreeing terms for their continued participation in the Championship in 2021 and beyond. The Group is confident that terms will be agreed in due course.

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

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

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

## Formula One Digital Media Limited

### Strategic Report for the Year Ended 31 December 2019

#### *COVID-19 and risks for the company and the Group*

At the time of approving these financial statements members of the Group's senior management, including the directors, are actively monitoring the ongoing spread of the coronavirus and the related COVID-19 outbreak, addressing the consequences, and assessing other potential risks arising and how their impact on the Group can be mitigated. Given the unpredictability of the length and outcome of the COVID-19 outbreak and how it will ultimately impact the business, the Group is seeking to mitigate the risks associated where possible, liaising closely and communicating actively with its employees, the FIA, the teams, race promoters, government authorities in race jurisdictions, commercial partners and other stakeholders. The Group continues to closely monitor applicable travel and public health restrictions as well as health and safety, travel and other advice and guidance issued by the UK Government, other national and civil governments, and will take necessary decisions with those other stakeholders to continue to adjust its plans as required to address the risks and opportunities that arise.

Following the initial outbreak of COVID-19 in China, its subsequent spread around the world and the cancellation, on the eve of the event, of the Australian GP, which was due to be the opening round of the 2020 F1 season, a further nine rounds of the 2020 race calendar have been postponed or cancelled, all of which were scheduled to take place before the end of June, as efforts continue around the world to contain and overcome the impact of the virus. It is possible that, in addition to the first ten events, other events on the 2020 calendar may also need to be cancelled or postponed from their original race dates in due course, but the intention is to reschedule as many of the postponed races as possible for later in 2020.

In the expectation that later in 2020 the operational restrictions imposed as a result of COVID-19 will be eased, the Group is working with the FIA, the competing teams, race promoters and other stakeholders to build a revised 2020 race calendar, so as to allow as many races as possible to take place once conditions allow. For that to happen, it is likely that some races will need to take place under conditions that would restrict the full scope of the Group and the company's normal business activities, for example if the event were to take place as a closed event without spectators.

At the time of approving these financial statements, and dependent on appropriate prevailing conditions, with the support of the other stakeholders the Group aims to be able to start racing in July and is looking at different options for creating a new 15 to 18 race calendar for the 2020 Championship. Under these plans racing would potentially start in July, most likely with a series of behind closed doors races at European circuits to be followed by a series of flyaway races moving through countries in Asia, the Americas and/or the Middle East as conditions allow. In order to build such a calendar, the Group is considering the possibility to hold more than one race at certain circuits if required.

As addressed in note 5 to these financial statements, the company generates its revenues from a range of activities in association with the Championship and its events, with individual revenues relating either to (i) rights associated with an entire Championship season, (ii) rights related to a specific Championship event, (iii) rights related to a specific period, typically a calendar year, or (iv) the sale of other rights or services with more ad hoc performance obligations. If events are cancelled and cannot be rescheduled there will be an adverse impact on the company's revenues, and even if most events can take place, it may be on a closed (i.e. no public) basis in which case the associated commercial terms may be less favourable to the company than originally contracted and certain event-derived revenues may be reduced or eliminated, either because the venue is closed to spectators, guests and other members of the public or because fans and commercial partners are prevented from or choose to not travel to or attend major events in countries and regions perceived to be higher risk.

Considering the impact on expected 2020 revenue generation of event cancellation or restrictions placed on public access to venues, certain revenues specific to rights for, or services delivered by the company or the Group at, a cancelled or scaled-back event would most likely not be earned, and revenues from fixed fees arising from rights related to the 2020 Championship season could be subject to pro-rata or other negotiated reduction if the number of Championship events that ultimately take place in 2020 falls below the varying level of minimum event numbers specified by certain applicable contracts. It is also likely that the sale of other rights or services by both the company and the Group will be compromised to some degree given the 2020 Championship is likely to consist of fewer events than originally scheduled, and in the event of events being scaled back. However, lost revenues would be offset to some degree by cost savings, as cancellation of events or scaling back of activities would result in certain event-focused costs falling or not being incurred at all, and the variable elements of the Prize Fund payments made by the Group to the competing teams would reduce. Following the delay in starting the season in Australia, the Group and the company have also taken immediate measures to reduce operating costs through deferral of more discretionary expenditure, seeking to renegotiate supplier commitments for services that can be deferred or potentially will not be delivered in 2020, the furloughing of significant numbers of staff under the UK Government's coronavirus job retention scheme and voluntary pay cuts from senior management.

## Formula One Digital Media Limited

### Strategic Report for the Year Ended 31 December 2019

At this time, there remains uncertainty as to the time period over which COVID-19 will impact both the Group and the company, and there are a wide range of theoretical scenarios and outcomes that are possible, featuring varying numbers of events and race locations, and different assumptions about the scope of revenue and cost generating activities. However, it is the directors' current expectation that the current outbreak of COVID-19 and the related consequences will be controlled in due course, and longer term will ultimately be eliminated through new treatments and/or vaccination, and that therefore the disruption from the effects of COVID-19 will prove temporary. As a result, the Group and the company is focused on what are considered to be the more realistic scenarios for 2020, reflecting a delayed start to the 2020 season and the running of a revised calendar in the second half of the year as discussed above, and is working with its partners to find flexible solutions to the challenges created.


At the time of their approval, in the directors' judgement the outbreak of COVID-19 has not required any post-balance sheet adjustment to be made to, or specific disclosure of the potential impact of the virus to be provided in respect of, any of the company's balance sheet assets and liabilities reported as at 31 December 2019.

The directors consider that the developments and factors identified above should allow the company to mitigate its principal business risks for the foreseeable future and at least the next 12 months.

#### **Other risks**

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

Approved by the Board on 28 April 2020 and signed on its behalf by:



Mr D Llowarch  
Director

## Formula One Digital Media Limited

### Directors' Report for the Year Ended 31 December 2019

The directors present their Report and the Financial Statements for the year ended 31 December 2019.

#### Results and dividends

The results for the year to 31 December 2019 are shown in the Profit and Loss Account on page 12.

#### Future developments

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

#### Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position and its risk exposures, are described in the Strategic Report above, noting the importance of the activities of the wider Group in supporting the company's own business. Therefore the relative uncertainty of the COVID-19 outbreak and its exact impact has had to be considered both from the point of view of its anticipated effect on the company and the Group when adopting the going concern basis in these financial statements.

To date the first ten events of the season have been cancelled or postponed, and whilst it is the Group's intention to try to reschedule as many events as possible, there is a risk that a number of the 2020 Championship events do not take place, as discussed. Given the season is not likely to start until July, at earliest, and, with the likelihood that the scope of the Group and the company's activities will be somewhat compromised, it is expected that the company's 2020 financial results will be impacted.

Forecasts and projections have been prepared for 2020 and 2021 looking at a range of what are considered possible outcomes in the Group's trading performance and cash flow, including a severe but plausible one addressing what is currently considered to be the remote circumstance of no races being staged in 2020. In this most severe outcome the forecasts indicate that additional funding may be needed in addition to that expected to be available to the Group and the company through existing facilities. Notwithstanding this, the company is supported by Delta Topco's confirmation that, during the period, it intends to provide additional financial support to the company and its fellow subsidiaries should it be required. This intention to provide financial support is also supported by similar assurances Delta Topco itself has received from the company's ultimate parent, Liberty, and as such the company believes it will have access to sufficient liquidity, including any additional funding as may be needed, to be able to meet its liabilities for a period of at least 12 months from the date of approval of these financial statements.

As one of the key trading subsidiaries of the Group, the revenues and returns generated by the company contribute towards the servicing, and compliance with the terms, of the Group's external financing arrangements. As part of these, certain of the Group's subsidiaries, including the company, have access to borrow a \$500m revolving credit facility ("RCF"), which is available to provide additional liquidity if/when it is so required. As a result, in adopting the going concern basis of preparation, consideration has been given by the directors to the ability of the Group as a whole to both continue to comply with the terms of its existing financing arrangements, and to access sufficient additional or alternative sources of liquidity if they are required.

The company is an obligor under the Group's \$2.9bn Senior Loan facilities and these facilities are secured by fixed and floating charges over the present and future assets of the Group's main operating companies, which include the company. The terms of the facilities see no covenants required to be tested in respect of the Senior Loans and no impending maturities, as the loans are not repayable until February 2024.

In addition to the Senior Loan facilities, the Group and company also have access to a \$500m revolving credit facility ("RCF"), which is subject to a single net debt leverage ratio which is tested quarterly. Given that it is now expected that the 2020 season will not start before July at the earliest, it is likely that the RCF leverage covenant will be breached when tested at 30 June 2020, as the absence of races in the first half of the year will materially impact the recognition of the Group's revenues and therefore reported EBITDA for the rolling 12 month period used for covenant testing purposes. Given that such a breach would most likely continue through the period until the number of races held within a preceding 12 month period returned to more normal levels, the Group has initiated actions to address the anticipated breach.

## Formula One Digital Media Limited

### Directors' Report for the Year Ended 31 December 2019

The Group is in discussions to seek the agreement of the nine banks who are the lenders of the RCF ("the RCF Lenders") for a temporary waiver of the existing covenant test requirement. Under the terms of the RCF this requires consent to be given by sufficient RCF Lenders to represent, by cumulative addition of their individual commitments, a simple majority of the total \$500m facility. Since the outbreak of COVID-19, the Group has received expressions of support from the RCF Lenders and has provided projections that indicate the financial impact of COVID-19 on the Group will be temporary. The Group is therefore confident that consent for the covenant test waiver will be provided in due course.

In what the directors believe would be the unlikely event that the Group is unable to generate sufficient support from the RCF Lenders for the request, alternative actions would be available to it. The leverage covenant is only tested if the RCF remains in place, so its repayment would eliminate the test requirement completely and make the question of breach academic. In addition, even if the covenant test waiver is obtained, in the most severe of the outcomes considered, the Group's forecasts indicate that additional funding may be required over and above available facilities. Whilst the directors believe the Group would be able to access additional 3rd party financing if preferred, the Group has received, as discussed above, from its parents Delta Topco and Liberty, confirmation that they intend to provide financial support to the Group if required. This support has been underlined by an exercise performed by Liberty to reattribute certain liquid assets under its ownership in order to support and enhance the Formula 1 business as required, and as announced in a press release relating to the exercise issued on 23 April 2020. Given the Group is already in positive waiver discussions with representatives of the RCF Lenders and alternative actions are available if these are unsuccessful, the directors consider the Group has the ability to resolve the matter satisfactorily, with no resulting going concern impact for the company.

Whilst the eventual overall impact on the Group and the company of, and the period affected by, the COVID-19 outbreak are uncertain, for the reasons discussed above, including the indicative parental financial support of Delta Topco and Liberty should it be required, the directors conclude that in all currently foreseeable scenarios the company will have access to sufficient liquidity and adequate financial resources to enable it to continue operating for the foreseeable future and at least the next twelve months, and that it is therefore appropriate to adopt the going concern basis in preparing these financial statements.

#### Directors of the company

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

Mr D Llowarch

Ms S Woodward Hill

#### Non adjusting events after the financial period

Issues arising from the global outbreak of COVID-19 are discussed in the Strategic Report in more detail, in the section titled 'COVID-19 and risks for the company' (see page 5).

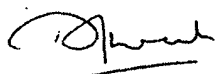
#### Disclosure of information to the auditor

Each director has taken the necessary steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of, and of which they know the auditor is unaware.

#### Reappointment of auditor

The auditor, KPMG LLP, will be deemed reappointed in accordance with section 487 of the Companies Act 2006.

Approved by the Board on 28 April 2020 and signed on its behalf by:



Mr D Llowarch  
Director

## **Formula One Digital Media Limited**

### **Statement of Directors' Responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

### Opinion

We have audited the financial statements of Formula One Digital Media Limited (the "company") for the year ended 31 December 2019 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 5.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Going concern

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

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

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

### Strategic report and directors' report

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

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

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

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

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://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

29 April 2020

## Formula One Digital Media Limited

### Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 \$ 000	2018 \$ 000
Turnover	7	35,417	22,012
Cost of sales		<u>(27,909)</u>	<u>(21,118)</u>
Gross profit		7,508	894
Administrative expenses		<u>(7,199)</u>	<u>(3,031)</u>
Profit/(loss) on ordinary activities before interest	8	309	(2,137)
Interest receivable and similar income	10	-	1
Interest payable and similar charges	10	<u>(11)</u>	<u>(181)</u>
Profit/(loss) before tax		298	(2,317)
Tax on profit/(loss) on ordinary activities	14	<u>(73)</u>	<u>418</u>
Profit/(loss) for the financial year		<u>225</u>	<u>(1,899)</u>

The above results were derived from continuing operations.

**Formula One Digital Media Limited**

**Statement of Comprehensive Income for the Year Ended 31 December 2019**

	<b>2019</b>	<b>2018</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Profit/(loss) for the year	225	(1,899)
<b>Other comprehensive income, net of tax</b>		
	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>225</u>	<u>(1,899)</u>

The notes on pages 16 to 29 form an integral part of these financial statements.

# Formula One Digital Media Limited

(Registration number: 08915039)  
Balance Sheet as at 31 December 2019

	Note	2019 \$ 000	2018 \$ 000
<b>Fixed assets</b>			
Intangible assets	15	17,792	11,360
<b>Current assets</b>			
Debtors due within one year	16	14,885	10,189
Cash at bank and in hand	17	-	166
		<u>14,885</u>	<u>10,355</u>
Creditors: Amounts falling due within one year	18	<u>(47,145)</u>	<u>(36,408)</u>
Net current liabilities		<u>(32,260)</u>	<u>(26,053)</u>
Net liabilities		<u>(14,468)</u>	<u>(14,693)</u>
<b>Capital and reserves</b>			
Called up share capital	19	-	-
Profit and Loss account		<u>(14,468)</u>	<u>(14,693)</u>
Shareholders' deficit		<u>(14,468)</u>	<u>(14,693)</u>

Approved by the Board on 28 April 2020 and signed on its behalf by:



.....  
Mr D Llowarch  
Director

**Formula One Digital Media Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2019**

	<b>Share capital</b> <b>\$ 000</b>	<b>Retained</b> <b>earnings</b> <b>\$ 000</b>	<b>Total</b> <b>\$ 000</b>
At 1 January 2018	-	(12,794)	(12,794)
Total comprehensive income	-	<u>(1,899)</u>	<u>(1,899)</u>
At 31 December 2018	-	(14,693)	(14,693)
Total comprehensive income	-	<u>225</u>	<u>225</u>
At 31 December 2019	<u>-</u>	<u>(14,468)</u>	<u>(14,468)</u>

The notes on pages 16 to 29 form an integral part of these financial statements.

## Formula One Digital Media Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 1 General information

The company is a private company limited by share capital, and incorporated and domiciled in England and Wales.

The address of its registered office is:

No. 2 St. James's Market

London

SW1Y 4AH

These financial statements were authorised for issue by the Board on 28 April 2020.

#### 2 Basis of preparation

Abbreviations used in these financial statements are defined in the Glossary of abbreviated terms (see page 1).

These financial statements were prepared in accordance with FRS 101 and under historical cost accounting rules.

The financial information is presented in US dollars and all values are rounded to the nearest thousand (\$000) except where otherwise indicated.

##### *New standards, interpretations and amendments effective*

None of the new standards, interpretations and amendments adopted by the company for the first time for its annual reporting period commencing 1 January 2019 have had a material effect on the financial statements.

#### 3 Going concern

Notwithstanding net liabilities of \$14.5m as at 31 December 2019, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company's business activities, together with the factors likely to affect its future development, its financial position and its risk exposures, are described in the Strategic Report, noting the importance of the activities of the wider Group in supporting the company's own business.

Therefore the relative uncertainty of the COVID-19 outbreak and its exact impact has had to be considered both from the point of view of its anticipated effect on the company and the Group when adopting the preparation of the going concern basis for these financial statements.

To date the first ten events of the season have been cancelled or postponed, and whilst it is the Group's intention to try to reschedule as many events as possible, there is a risk that a number of the 2020 Championship events do not take place, as discussed. Given the season is not likely to start until July, at earliest, and, with the likelihood that the scope of the Group and the company's activities will be somewhat compromised, it is expected that the company's 2020 financial results will be impacted.

Forecasts and projections have been prepared for 2020 and 2021 looking at a range of what are considered possible outcomes in the Group's trading performance and cash flow, including a severe but plausible one addressing what is currently considered to be the remote circumstance of no races being staged in 2020. In this most severe outcome the forecasts indicate that additional funding may be needed in addition to that expected to be available to the Group and the company through existing facilities. Notwithstanding this, the company is supported by Delta Topco's confirmation that, during the period, it intends to provide additional financial support to the company and its fellow subsidiaries should it be required. This intention to provide financial support is also supported by similar assurances Delta Topco itself has received from the company's ultimate parent, Liberty, and as such the company believes it will have access to sufficient liquidity, including any additional funding as may be needed, to be able to meet its liabilities for a period of at least 12 months from the date of approval of these financial statements.

## Formula One Digital Media Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 3 Going concern (continued)

As one of the key trading subsidiaries of the Group, the revenues and returns generated by the company contribute towards the servicing, and compliance with the terms, of the Group's external financing arrangements. As part of these, certain of the Group's subsidiaries, including the company, have access to borrow a \$500m revolving credit facility ("RCF"), which is available to provide additional liquidity if/when it is so required. As a result, in adopting the going concern basis of preparation, consideration has been given by the directors to the ability of the Group as a whole to both continue to comply with the terms of its existing financing arrangements, and to access sufficient additional or alternative sources of liquidity if they are required.

The company is an obligor under the Group's \$2.9bn Senior Loan facilities and these facilities are secured by fixed and floating charges over the present and future assets of the Group's main operating companies, which include the company. The terms of the facilities see no covenants required to be tested in respect of the Senior Loans and no impending maturities, as the loans are not repayable until February 2024.

In addition to the Senior Loan facilities, the Group and company also have access to a \$500m revolving credit facility ("RCF"), which is subject to a single net debt leverage ratio which is tested quarterly. Given that it is now expected that the 2020 season will not start before July at the earliest, it is likely that the RCF leverage covenant will be breached when tested at 30 June 2020, as the absence of races in the first half of the year will materially impact the recognition of the Group's revenues and therefore reported EBITDA for the rolling 12 month period used for covenant testing purposes. Given that such a breach would most likely continue through the period until the number of races held within a preceding 12 month period returned to more normal levels, the Group has initiated actions to address the anticipated breach.

The Group is in discussions to seek the agreement of the nine banks who are the lenders of the RCF ("the RCF Lenders") for a temporary waiver of the existing covenant test requirement. Under the terms of the RCF this requires consent to be given by sufficient RCF Lenders to represent, by cumulative addition of their individual commitments, a simple majority of the total \$500m facility. Since the outbreak of COVID-19, the Group has received expressions of support from the RCF Lenders and has provided projections that indicate the financial impact of COVID-19 on the Group will be temporary. The Group is therefore confident that consent for the covenant test waiver will be provided in due course. In what the directors believe would be the unlikely event that the Group is unable to generate sufficient support from the RCF Lenders for the request, alternative actions would be available to it. The leverage covenant is only tested if the RCF remains in place, so its repayment would eliminate the test requirement completely and make the question of breach academic. In addition, even if the covenant test waiver is obtained, in the most severe of the outcomes considered, the Group's forecasts indicate that additional funding may be required over and above available facilities. Whilst the directors believe the Group would be able to access additional 3rd party financing if preferred, the Group has received, as discussed above, from its parents Delta Topco and Liberty, confirmation that they intend to provide financial support to the Group if required. This support has been underlined by an exercise performed by Liberty to reattribute certain liquid assets under its ownership in order to support and enhance the Formula 1 business as required, and as announced in a press release relating to the exercise issued on 23 April 2020. Given the Group is already in positive waiver discussions with representatives of the RCF Lenders and alternative actions are available if these are unsuccessful, the directors consider the Group has the ability to resolve the matter satisfactorily, with no resulting going concern impact for the company.

Whilst the eventual overall impact on the Group and the company of, and the period affected by, the COVID-19 outbreak are uncertain, for the reasons discussed above, including the indicative parental financial support of Delta Topco and Liberty should it be required, the directors conclude that in all currently foreseeable scenarios the company will have access to sufficient liquidity and adequate financial resources to enable it to continue operating for the foreseeable future and at least the next twelve months, and that it is therefore appropriate to adopt the going concern basis in preparing these financial statements.

#### 4 Disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;

## Formula One Digital Media Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 4 Disclosure exemptions (continued)

- the requirements of paragraphs 10(d), 10(f), 39(c), 40A, 40B, 40C, 40D and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

#### 5 Accounting policies

##### Summary of significant accounting policies and key accounting estimates

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

##### Revenue recognition

The principles in IFRS 15 Revenue from Contracts with Customers are applied to turnover recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

The company generates revenue in association with the Championship and its events, principally derived from rights arising from the sale of subscriptions to the F1.com website, the F1 App and to F1TV, the online sale of tickets and other event based experiences and the sale and licensing of other digital rights. As such individual revenues relate either to (i) rights associated with an entire Championship season, (ii) rights related to a specific Championship event, (iii) rights related to a specific period, typically a calendar year, or (iv) the sale of other rights or services with more ad hoc performance obligations.

Revenues that relate to rights granted for an entire Championship season are recognised evenly on an event by event basis, with revenues relating to specific Championship events being recognised on the occurrence of the events concerned. Revenues that relate to grants of rights or licensing over a period of time are recognised evenly over that time period. Otherwise, revenues that do not meet these criteria are recognised when the services are provided.

The transaction price is determined by the fixed fees which are typically specified in the contract. Multi-year contracts will typically specify a fee for each Championship season, event or period, falling within each year of the contract. Where a contract contains multiple distinct performance obligations but does not specify a specific fee for each element, a separate standalone value is identified for each performance obligation, with the overall transaction price then allocated to each performance obligation in proportion to its standalone value relative to the total standalone value of all performance obligations.

## Formula One Digital Media Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 5 Accounting policies (continued)

##### **Foreign currency transactions and balances**

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

##### **Transactions and balances**

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

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

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

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

##### **Tax**

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

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

Tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities, and the taxes relate to the same taxation authority and to the same taxable entity or to different entities which intend to settle the current tax assets and liabilities on a net basis.

Deferred tax is recognised on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts relevant for tax purposes. Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the underlying temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax is not recognised on temporary differences that arise on the initial recognition of goodwill or on the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. Deferred tax is not recognised in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## Formula One Digital Media Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 5 Accounting policies (continued)

##### Intangible assets

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

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

##### Website and other digital media development costs

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

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

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

##### Amortisation

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

##### Asset class

Website and other digital media development costs

##### Amortisation method and rate

over 8 years on a straight-line basis

##### Impairment of non-financial assets

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

##### Financial instruments

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

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

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

## Formula One Digital Media Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 5 Accounting policies (continued)

Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as at amortised cost and financial assets at fair value through other comprehensive income ("FVOCI") are included within the carrying value of such instruments. Transaction costs directly attributable to the acquisition of financial instruments which are classified as fair value through profit and loss ("FVPL") are recognised immediately in the Profit and Loss account.

#### *Financial assets*

##### *(a) Classification and subsequent measurement*

All recognised financial assets are classified as either financial assets at amortised cost, FVOCI or FVPL. The company currently has no financial assets classified as either FVOCI or FVPL.

##### *Financial assets at amortised cost*

Financial assets that meet the following conditions are classified as 'financial assets at amortised cost':

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest; and
- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The asset was not acquired principally for the purpose of selling in the near term or management for short-term profit taking (held for trading).

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate ("EIR") method. The EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial instrument. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income or finance costs in the Profit and Loss account.

Financial assets at amortised cost are subject to impairment review. Gains and losses are recognised in the Profit and Loss account when the asset is derecognised, modified or impaired.

##### *(b) Impairment of financial assets*

The company assesses financial assets at amortised cost for impairment and recognises an impairment loss allowance to reduce the carrying amount of the assets. The impairment loss, as required by IFRS 9, is based on expected credit losses ("ECL") and reflects forward looking information. The ECL is first recognised on the date of initial recognition of the asset.

The simplified approach is used under IFRS 9 for assessing the potential impairment of short term trade receivables, long term trade receivables, accrued income and lease receivables, with the general approach used for other financial assets.

The simplified approach:

Under IFRS 9's simplified approach, the impairment loss is based on credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL) and is calculated, for a class of assets, as the weighted average of credit losses where the weights are the probabilities of default. Factors such as historical credit loss experience, future economic climate and forward-looking factors specific to the debtors are taken into account when estimating the probability of default.

The general approach:

Impairments are assessed and recognised in three stages to reflect the potential variation in credit quality of financial assets:

-Stage 1: items that have not deteriorated significantly in credit quality since initial recognition. For these items, the ECL is based on credit losses that result from default events that are possible within the next 12 months (a 12 month ECL) and is calculated as lifetime losses from default inside 12 months weighted by the probability of default in 12 months

-Stage 2: items that have deteriorated significantly in credit quality since initial recognition but do not have objective evidence of a credit loss event. For these items, the ECL is equal a lifetime ECL and interest is calculated based on the gross carrying value of the asset

-Stage 3: items that have objective evidence of impairment at the reporting date. For these items the ECL is also equal to a lifetime ECL but the interest is calculated based on the net carrying value of the asset.

The amount of credit loss is calculated as the present value of estimated cash shortfalls discounted at the financial asset's original EIR.

## Formula One Digital Media Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 5 Accounting policies (continued)

##### *(c) Financial assets held by the company*

###### *(i) Trade debtors*

Trade debtors are amounts due from customers for commercial rights sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors that do not contain a significant financing component or for which the company has applied the practical expedient under IFRS 15 are recognised initially at the transaction price under IFRS 15. Otherwise they are initially measured at fair value. They are subsequently measured at amortised cost less provision for impairment.

###### *(ii) Cash and cash equivalents*

Cash and cash equivalents include cash at bank and in hand, deposits and short-term deposits with an original maturity of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Term deposits with an initial maturity of more than three months are treated as other current financial assets.

###### *(iii) Intra-group receivables*

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

##### **Financial liabilities**

###### ***(a) Classification and subsequent measurement***

All recognised financial liabilities are subsequently measured at either amortised cost or fair value. Financial liabilities that are not held for trading and are not designated as at fair value through profit and loss are classified as 'Financial liabilities measured at amortised cost' and are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts that are subsequently measured at amortised cost are determined based on the EIR method (see above). The company's financial liabilities include trade and other creditors and intra-group payables. All of the company's financial liabilities are classified as 'Financial liabilities measured at amortised cost'.

###### *(i) Trade payables*

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

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

###### *(ii) Intra-group payables*

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

#### 6 Judgements and key sources of estimation uncertainty

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

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

## Formula One Digital Media Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 6 Judgements and key sources of estimation uncertainty (continued)

##### **COVID-19 impact on going concern considerations and revolving credit facility covenant compliance**

As discussed in note 3 and in the Directors' Report to these financial statements, in light of the ongoing issues caused by the outbreak of COVID-19, management have had to carefully consider the potential impact of the crisis on the going concern consideration. In order to support the preparation of the financial statements on a going concern basis, the Group has prepared a number of financial projections, including cash flow modelling, which assess on a broadly conservative basis the currently foreseeable range of impacts on the Group's financial performance in 2020, through the end of the going concern period ending 12 months from approval of these financial statements, and through the balance of 2021. The outputs from scenario modelling have then been used to assess liquidity requirements and availability.

The directors' deliberations have also been supported by the indication of intended financial support received by the company from Delta Topco, and the similar confirmation of intent received by Delta Topco from Liberty.

The financial projections of the range of currently foreseeable scenarios, advice received from banks as to the ability of the Group to access additional liquidity if required, and the expressed intentions of parental financial support, lead the directors to conclude the company will have access to sufficient liquidity across the going concern period.

In addition, the forecasts have been used to assess the Group's 2020 compliance with the leverage covenant required to be tested under its RCF, of which the company is a borrower. As discussed in note 3 and in the Directors' Report, it is the Group's expectation that the leverage covenant will be breached and therefore, the Group has approached the lenders of the facility for a temporary covenant waiver.

The directors have assessed the ability of the Group to resolve a covenant breach and applied their judgement in determining that they consider either the waiver will be granted or the Group will be in a position to refinance the facility, including drawing on parental support if required, and so leading to the elimination of the currently required test.

##### **Intangible assets**

The treatment of intangible assets is dependent on an assessment of whether costs meet the criteria for capitalisation, therefore management exercises judgement when assessing whether the capitalisation conditions are met. (see note 15).

##### **Taxation**

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

##### **Expected credit losses**

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

##### **Impairment of non-financial assets**

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

## Formula One Digital Media Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 7 Turnover

##### Turnover from contracts with customers

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

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

	<b>2019</b>	<b>2018</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Subscription based services	13,001	6,146
Digital advertising sales	10,276	6,006
Other digital media rights	12,140	9,860
	<u>35,417</u>	<u>22,012</u>

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

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

#### 8 Operating profit/(loss)

Arrived at after charging/(crediting):

	<b>2019</b>	<b>2018</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Amortisation expense	1,990	546
Foreign exchange losses/(gains)	717	(508)
	<u>2,707</u>	<u>38</u>

#### 9 Reconciliation of non-GAAP measures

##### (a) EBITDA

The directors' discussion of the company's financial performance in the Strategic Report includes reference to Earnings before Interest, Taxes, Depreciation and Amortisation ("EBITDA"), a measure which is intended to assist readers in analysing the underlying performance of the company. The measure is non-GAAP in nature and therefore a reconciliation to the equivalent GAAP measure is provided below.

	<b>2019</b>	<b>2018</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Operating profit/(loss)	309	(2,137)
Add: amortisation expense (see notes 8 and 15)	1,990	546
EBITDA	<u>2,299</u>	<u>(1,591)</u>

## Formula One Digital Media Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 9 Reconciliation of non-GAAP measures (continued)

##### (b) Cost of sales excluding FOWC sub-licence fees

The directors' discussion of the company's financial performance in the Strategic Report includes reference to Cost of sales excluding FOWC sub-licence fees. The measure is also non-GAAP in nature and therefore a reconciliation to the equivalent GAAP measure is provided below.

	2019 \$ 000	2018 \$ 000
Cost of sales	(27,909)	(21,118)
Add: FOWC sub-licence fees	<u>2,298</u>	<u>1,000</u>
Cost of sales excluding FOWC sub-licence fees	<u>(25,611)</u>	<u>(20,118)</u>

##### (c) Administrative expenses excluding amortisation & FX

The directors' discussion of the company's financial performance in the Strategic Report includes reference to Administrative expenses excluding amortisation & FX. The measure is also non-GAAP in nature and therefore a reconciliation to the equivalent GAAP measure is provided below.

	2019 \$ 000	2018 \$ 000
Administrative expenses	(7,199)	(3,031)
Add: amortisation expense (see notes 8 and 15)	1,990	546
Add: FX losses/(gains) (see note 8)	<u>717</u>	<u>(508)</u>
Administrative expenses excluding amortisation & FX	<u>(4,492)</u>	<u>(2,993)</u>

#### 10 Interest payable and receivable

	2019 \$ 000	2018 \$ 000
<b>Interest receivable and similar income</b>		
Interest income on bank deposits	<u>-</u>	<u>1</u>
<b>Interest payable and similar charges</b>		
Other finance costs	<u>(11)</u>	<u>(181)</u>

#### 11 Staff costs

The company had no employees during the year (2018-Nil).

All of Formula 1's principal activities are based in the UK, and its UK based employees are employed by the Group company FOM. FOM acts as a service company and recharges costs to the company and other Group companies which were incurred on their behalf.

#### 12 Directors' remuneration

Directors' remuneration is paid by another member of the Group and the Group has not allocated any directors' remuneration to this entity in the current or prior year.

## Formula One Digital Media Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 13 Auditor's remuneration

	<b>2019</b>	<b>2018</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Audit of the financial statements	15	14

#### 14 Taxation

Tax charged/(credited) in the Profit and Loss account:

	<b>2019</b>	<b>2018</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>Current taxation</b>		
Payment/(receipt) from fellow Formula 1 subsidiaries for group taxation relief-current year	52	(440)
Receipt from fellow Formula 1 subsidiaries for group taxation relief-prior year	(4)	-
	48	(440)
Foreign tax	25	22
Tax charged/(credited) in the Profit and Loss account	73	(418)

Tax credited to the Profit and Loss account differs from tax calculated by applying the average rate of corporation tax in the UK of 19% (2018-19%) to the result before tax for the period. The differences are reconciled below:

	<b>2019</b>	<b>2018</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Profit/(loss) before tax	298	(2,317)
Corporation tax at standard rate	57	(440)
Decrease in current tax from adjustment for prior periods	(4)	-
Effect of foreign tax	20	22
Total tax charge/(credit)	73	(418)

#### Deferred taxation

There are \$9.0m of unused tax losses (2018-\$9.0m) for which no deferred tax asset is recognised in the Balance Sheet. The company continues to develop existing products and invest in new products for future launch and on this basis, no deferred tax assets have been recognised in respect of brought forward tax losses, because at this time the availability and timing of suitable future taxable profits is not certain enough to require recognition under the criteria set out in IAS 12.

## Formula One Digital Media Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 15 Intangible assets

	<b>Other intangible assets \$ 000</b>
<b>Cost or valuation</b>	
At 1 January 2019	11,906
Additions	<u>8,422</u>
At 31 December 2019	<u>20,328</u>
<b>Amortisation</b>	
At 1 January 2019	546
Amortisation charge	<u>1,990</u>
At 31 December 2019	<u>2,536</u>
<b>Carrying amount</b>	
At 31 December 2019	<u>17,792</u>
At 31 December 2018	<u>11,360</u>

'Other intangible assets' relate to development costs of the Formula 1 website, OTT player and App.

#### 16 Debtors due within one year

	<b>2019 \$ 000</b>	<b>2018 \$ 000</b>
Trade debtors	2,805	986
Amounts due from other Formula 1 companies	5,521	6,185
Accrued income	4,898	926
Prepayments	161	137
Other debtors	232	231
Other tax recoverable	<u>1,268</u>	<u>1,724</u>
	<u>14,885</u>	<u>10,189</u>

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

No ECL has been provided on amounts due from other Formula 1 companies because under the simplified approach for receivables, the probability of default is considered to be extremely remote because the Group has considerable financial resources. Therefore the lifetime ECL is deemed to be immaterial and no impairment has been recognised.

No ECL has been provided on accrued income because under the simplified approach, the probability of default is considered to be limited on the basis that appropriate due diligence is performed on prospective customers, outstanding balances are regularly monitored, and no indicators of default have been identified, including taking account of forward-looking information. Therefore the lifetime ECL is deemed to be immaterial and no impairment has been recognised.

## Formula One Digital Media Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 17 Cash and cash equivalents

	2019	2018
	\$ 000	\$ 000
Cash at bank	-	166
	-	166

The company and most of Formula 1's other subsidiaries participate together in a cash pooling arrangement operated by the Group's principal bank. Under the arrangement, each participating subsidiary's account balances are swept in real time into accounts held by FOWC, the subsidiary that acts as principal to the arrangement. Intra-group receivables or payables with FOWC are then recognised accordingly.

#### 18 Creditors: Amounts falling due within one year

	2019	2018
	\$ 000	\$ 000
Trade creditors	2,956	1,077
Accrued expenses	5,219	3,929
Amounts due to other Formula 1 companies	36,544	29,717
Social security and other taxes	15	1
Deferred income	2,411	1,684
	47,145	36,408

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

#### 19 Share capital

##### Allotted, called up and fully paid shares

	No.	2019	No.	2018
		\$		\$
Ordinary share of \$1 each	1	1	1	1
	1	1	1	1

#### 20 Commitments

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

##### Guarantees and other financial commitments

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

#### 21 Related party transactions

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

## Formula One Digital Media Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 22 Parent and ultimate parent undertaking

The company's immediate parent undertaking is Alpha Prema, a company incorporated in England and Wales and a wholly-owned subsidiary of Liberty.

As at the balance sheet date Liberty, a Nasdaq listed company incorporated in the United States of America, is the parent undertaking of the smallest and largest group for which publicly available group financial statements are prepared which include the results of the company. Liberty's consolidated accounts are publicly available from 12300 Liberty Blvd, Englewood, CO 80112, USA. Liberty is considered to be, in the opinion of the directors, the ultimate parent undertaking of the company.

#### 23 Non adjusting events after the financial period

##### **COVID-19**

In the period since 31 December 2019 and as of the date of approval of these financial statements the company has been addressing issues arising from the global outbreak of COVID-19. In the directors' judgement the outbreak of COVID-19 has not required any post-balance sheet adjustment to be made to, or specific disclosure of the potential impact of the virus to be provided in respect of, any of the company's balance sheet assets and liabilities reported as at 31 December 2019, although there is an evident economic risk exposure for its business in 2020 and potentially beyond, as discussed at length in the Strategic Report.