

Formula One Digital Media Limited

Strategic Report, Directors' Report and Financial Statements

for the Year Ended 31 December 2020

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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
"GP"	Grand Prix™
"IAS"	International Accounting Standard
"IFRS"	International Financial Reporting Standard

Formula One Digital Media Limited

Company Information

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

Formula One Digital Media Limited

Strategic Report for the Year Ended 31 December 2020

The directors present their Strategic Report, Directors' Report and Financial Statements for the year ended 31 December 2020, with abbreviations used 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

Despite the challenges created in 2020 by the ongoing coronavirus pandemic, which are discussed in more detail in the following section on principal risks and uncertainties, flexibility and alternative calendar arrangements saw the Championship successfully staged and the company continue to successfully expand its activities and grow its business, once again reporting good revenue and EBITDA growth.

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

	2020 \$ m	2019 \$ m	Change \$ m	Change %
Turnover (see note 7)	44.3	35.4	8.9	25%
Cost of sales excluding FOWC sub-licence fees (see note 9(b))	(28.6)	(25.6)	(3.0)	12%
Administrative expenses excluding amortisation & FX (see note 9(c))	(4.5)	(4.5)	-	-%
EBITDA pre-FOWC sub-licence fees & FX	<u>11.2</u>	<u>5.3</u>	<u>5.9</u>	<u>111%</u>
FOWC sub-licence fees	(4.5)	(2.3)	(2.2)	96%
FX (losses)/gains (see note 8)	<u>(0.6)</u>	<u>(0.7)</u>	<u>0.1</u>	<u>(14%)</u>
EBITDA (see note 9(a))	<u><u>6.2</u></u>	<u><u>2.3</u></u>	<u><u>3.9</u></u>	<u><u>170%</u></u>
Operating profit/(loss)	<u><u>2.5</u></u>	<u><u>0.3</u></u>	<u><u>2.2</u></u>	<u><u>733%</u></u>

During the year revenues grew by \$8.9m (25%) to \$44.3m (2019-\$35.4m) as sales continued to be generated from a range of digital services, with good growth in particular noted in the sale of subscriptions and other revenues related to the F1 TV Pro product. Revenues grew despite the challenges of COVID-19, which saw no Championship races in the first six months of the year, as opposed to the 10 originally scheduled, and an ultimate total of 17 events compared to 21 in 2019 and the 22 originally scheduled for 2020. The company also faced other constraints on growing new and developing activities in the prevailing environment, seeing very limited revenue from its online ticketing operation as events took place in COVID-19 secure environments, either behind closed doors or, in the case of just 3 events, with significantly limited attendances.

The company incurred costs of sales excluding intra-group licence fees of \$28.6m (2019-\$25.6m) in respect of the ongoing development and operation of the various social and digital platforms, and increasing costs linked to other commercial activities as related revenues grew. Administrative expenses excluding amortisation and FX totalled \$4.5m (2019-\$4.5m), leading the company to report EBITDA pre-FOWC sub-licence fees & FX totalling \$11.2m, \$5.9m (111%) higher than in 2019 (2019-\$5.3m).

Formula One Digital Media Limited

Strategic Report for the Year Ended 31 December 2020

After deducting costs of sub-licence fees payable to FOWC of \$4.5m (2019-\$2.3m) and a foreign exchange loss of \$0.6m (2019-loss of \$0.7m), the company reported EBITDA at \$6.2m, \$3.9m (170%) above the prior year (2019-\$2.3m).

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. Despite the ongoing impact of the coronavirus pandemic, which is discussed in more detail in the following commentaries on principal risks and uncertainties and going concern, with the continued progress that has been made, the directors consider the company to remain 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 Fédération Internationale de l'Automobile ("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.

From 2013 to 2020, FOWC was party to a bilateral agreement with each Formula 1 team, securing the relevant team's commitment to continue participating in the Championship until 31 December 2020. In August 2020, FOWC, SLEC, the FIA and the teams entered into the 2021 Concorde Agreement, securing the commitment of the teams to continue participating in the Championship from 1 January 2021 until 31 December 2025, and governing the relationship between the parties during that period. The 2021 Concorde Agreement is made up of two separate documents: (a) the 2021 Concorde Commercial Agreement between FOWC, SLEC and each of the teams; and (b) the 2021 Concorde Governance Agreement between FOWC, SLEC, the FIA and each of the teams. As was the case pursuant to the previous bilateral contracts, the 2021 Concorde Agreement provides, among other things, for the participation of the teams in the Championship during the term of the agreement, and provides for Formula 1 to make prize fund payments to the teams.

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.

Fundamentally, Formula 1 is a global business with a diverse portfolio of contracts, customers and activities, relatively few of which are affected by the terms and consequences of the UK's exit from the EU ("Brexit"). However, as Formula 1 operates its business principally through UK-based subsidiaries and a number of the Championship's events take place within the borders of the EU, Brexit and the terms of the recently agreed EU-UK Trade and Cooperation Agreement ("Trade Deal") will have some degree of operational impact on the Group. The Group therefore continues to work with its advisors, logistics partners, other F1 stakeholders and UK and other governmental authorities to assess in detail how the Trade Deal will affect its operations, and to identify appropriate mitigating actions to prevent significant disruption to the 2021 Championship, its European events and other aspects of the Group's operations that could be affected. Based on its assessments and plans to date, the Group has identified that the principal operational challenges will relate to the movement of equipment and personnel to and from European races, but in these, and other, areas, whilst the new rules may lead to additional administrative and operational burdens, the Group is confident identified solutions will mitigate their impact, and any associated additional costs will be limited. Whilst some uncertainty therefore remains as to the final impact of Brexit on Formula 1's business, the directors do not consider the risks to be significant, expect them to be mitigated in due course and therefore continue to believe Brexit will not have a material effect on the business.

Formula One Digital Media Limited

Strategic Report for the Year Ended 31 December 2020

COVID-19 and risks for the company and the Group

Whilst the coronavirus pandemic has not prevented the company from making significant progress during 2020, the Group's wider business operations have faced considerable disruption and risks remain given the ongoing coronavirus pandemic will continue to impact the company and other subsidiaries' activities into 2021. At the time of approving these financial statements members of the Group's senior management, including the directors, therefore continue to actively monitor the ongoing impact of the coronavirus pandemic, addressing the consequences, and assessing other potential risks arising and how their impact on the wider Group can be mitigated.

Given the unpredictability of the coronavirus pandemic's effect in different countries, the differing rules set by local governmental authorities around the world, and with continuing uncertainty as to when the coronavirus pandemic will recede and allow a return to more normal levels of business activity, in making plans for the 2021 season the Group is continuing to mitigate the associated risks wherever possible, and to liaise closely and actively communicate closely with its employees, the FIA, the teams, race promoters, government authorities in race jurisdictions, commercial partners and other stakeholders. On a daily basis, 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, and other national and civil governments, and will take necessary decisions with those other stakeholders to continue to adjust its plans as required to address risks, and indeed pursue opportunities, as they arise.

As at the time of approval of these financial statements a 23 race 2021 Championship calendar is scheduled, and race promoters are making necessary preparations to stage those events. Having successfully completed 17 races in 2020, should the coronavirus pandemic continue to create challenges for the staging of the 2021 season the Group is confident that it has procedures in place to be able to once again successfully deliver a significant race calendar, whilst being flexible in meeting any requirements and restrictions in the jurisdictions where races will take place.

The ongoing coronavirus pandemic makes it reasonably likely that some of the planned events could be cancelled in due course, and if that happens the Group will take steps to maintain as significant a calendar as possible, adding other venues if needed and where logistically deliverable, or, as an alternative, giving consideration to running more than one race at certain circuits as happened in 2020. Flexibility may continue to be needed, but as has been seen already from amendments made to the original published 2021 calendar, with plans in place to stage replacement races at Imola and Portimao and the shuffling of the calendar to allow a later date for the Australian Grand Prix™ ("GP"), the Group will make changes as necessary to meet its aim of delivering a schedule with race numbers in excess of what was achieved in 2020.

Given the ongoing challenges faced as a result of the coronavirus pandemic, it remains likely that at early seasons events, and potentially later into the year, events may once again take place, as in 2020, under conditions that will either prevent or limit certain of the Group's normal race-related business activities. For example, the operation of the Paddock Club hospitality service is likely to be compromised in whole or in part at any event required to take place as a closed race without spectators, or at events with limited attendance and/or strict social distancing requirements. However, in line with the views of many external forecasts and supported by the progress now being made in the distribution of vaccines, Formula 1 believes that conditions suggest the effects of the coronavirus pandemic will reduce as the year progresses and the ability to operate a broader level of business activities will return. Whilst it is acknowledged that there can be no certainty as to when widespread vaccination is achieved in any particular country, or that vaccines will prove wholly effective against COVID-19 variants, the experience gained from, and the protocols which allowed racing in, the second half of 2020, suggest that, even if prevailing conditions remain difficult and restrictive, providing travel exemptions remain for elite sport and its participants, a significant race calendar can be delivered.

As addressed in note 7 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 elements of the company's revenues and even if most events can take place in 2021, it cannot be discounted that these will be on less favourable terms 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.

Formula One Digital Media Limited

Strategic Report for the Year Ended 31 December 2020

Considering the impact on 2021 revenue generation of potential event cancellation or attendance restrictions, in line with the experience in 2020 certain revenues derived from rights for, or services delivered by the company or the Group at cancelled or scaled-back events would most likely not be earned, and revenues from fixed fees arising from rights related to the 2021 Championship season could be subject to pro-rata or other negotiated reduction if the number of Championship events that ultimately take place in 2021 either falls below the varying level of minimum event numbers specified by certain applicable contracts or if the period of the year that the 2021 Championship takes place across is significantly shortened. It is also likely that the sale of other rights or services by both the company and the Group may be compromised to some degree, as discussed above. However, as was the case in 2020, 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 Prize Fund payments made by the Group to the competing teams would be lower. As was the case in 2020, if the start of the season was delayed, or event cancellation once the season started led to a significant period with no racing, the Group would also take protective measures to minimise its operating costs and suspend all but essential and strategically important expenditure.

Whilst there remains continuing uncertainty as to the time period over which COVID-19 will impact both the Group and the company, there remain 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 base expectation, consistent with most external forecasts, that 2021 will see some improvement in conditions as the coronavirus pandemic recedes, and longer term the virus and its effects will be eliminated such that the disruption and its impact on the Group's financial results and position will prove temporary, as has always seemed likely. Against this backdrop, the Group and the company are continuing to focus on what are considered to be the more realistic scenarios for 2021, reflecting current plans for the 2021 season, the experience of operating in the challenging conditions of 2020, and in the expectation that whilst operations will face some further disruption, likely restrictions on its activities and on fan attendance, there will be some easing as the year progresses.

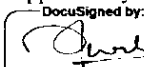
At the time of their approval, in the directors' judgement the effects of the ongoing coronavirus pandemic have not required any post-balance sheet adjustment to be made to, or specific additional disclosure of the potential impact of the virus to be provided in respect of, any of the company's balance sheet assets and liabilities reported as at 31 December 2020.

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 18 March 2021 and signed on its behalf by:

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Mr D Llowarch
Director

Formula One Digital Media Limited

Directors' Report for the Year Ended 31 December 2020

The directors present their Report and the Financial Statements for the year ended 31 December 2020.

Results and dividends

The results for the year to 31 December 2020 are shown in the Profit and Loss Account on page 14.

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 and the continued impact of the coronavirus pandemic on the Group's ongoing business activities. The ongoing uncertainty arising from the coronavirus pandemic and its potential continued impact has to be considered from the point of view of its anticipated effect on both the company and the rest of the Group when adopting the going concern basis in these financial statements.

Unlike the challenge in April 2020 of considering, for going concern purposes, the then-largely unknown possible effects of the virus when approving the 2019 financial statements, the coronavirus pandemic and its effects are no longer a new development and the Group's experience of operating and successfully delivering a 17 race Championship in the second half of 2020, leave the Group optimistic as to its ability to continue to operate effectively in 2021. The Group expects, and is planning for, the 2021 season to start in Bahrain as scheduled, with the Bahrain GP due to take place on 28 March 2021. Therefore, as discussed, whilst it is likely that the scope of the Group's activities may continue to be somewhat compromised, particularly in the first few months of the season, it is expected, and reflected, in the Group's 2021 budget that conditions will improve as the year progresses and its financial results will be less severely impacted than in 2020, when despite the challenging circumstances the Group was still able to generate positive financial returns from its operations.

Whilst the Group's 2021 budget has been prepared including significant levels of contingency to protect against the ongoing effects of the coronavirus pandemic, it indicates an improvement in expectations for financial performance in 2021 and underlines the Group's belief that performance will return quickly to historic levels once conditions allow. As such, if the budget projections are proved accurate, the Group will be in a stable and liquid position. However, given the uncertainty as to how long the coronavirus pandemic will impact the business, management continue to monitor and consider possible alternative scenarios in its trading performance and cash flow. As such, the Group has prepared a cash flow forecast for a period of at least 12 months from the date of approval of these accounts which includes severe but plausible downside scenarios. The severe but plausible downside scenarios reflect the circumstances and limited scope of activities seen in 2020 repeated throughout the forecast period. In such a scenario the Group is projected to deliver an improved level of financial performance on 2020. The severe but plausible downside scenarios indicate that the Group will continue to have sufficient funds to meet its liabilities as they fall due for that period.

Additionally, should fewer than 17 races take place, the directors are confident that the Group would have access to significant, readily-available liquidity to support its operations or access to additional funding if needed, as is discussed below. Given the success of the Group in successfully navigating 2020 and staging 17 races, and with the development and ongoing roll out of vaccine programmes globally, the significantly more severe scenario of no races being able to take place in the coming season which was considered at the time of approval of the 2019 financial statements is now considered sufficiently remote to be no longer plausible.

Formula One Digital Media Limited

Directors' Report for the Year Ended 31 December 2020

When considering liquidity, the directors note that the Group reported available cash on balance sheet of \$265.4m at 31 December 2020, and in addition has access to a \$500m revolving credit facility ("RCF"), which was wholly undrawn at 31 December 2020 and remains undrawn at the time of approval of these financial statements. The RCF remains available to the Group until November 2023 and the need to test a single EBITDA to net debt leverage ratio against a quarterly 8.25x test measure requirement has been temporarily waived by the lenders of the RCF ("the RCF Lenders"), with testing to be resumed from the quarter ending 31 March 2022. During the period of the waiver the Group is required to test a requirement for quarterly minimum liquidity to be above \$200m. Liquidity for this purpose is defined as the sum of cash on balance sheet and undrawn and available RCF, and as at 31 December 2020 this was measured at \$765.3m. Needing a simple majority consent to obtain the waiver, the Group received unanimous consent from all nine banks who are RCF Lenders with only a modest fee being paid to secure the agreed amendments to the terms of the RCF.

The circumstances and assumptions of the severe but plausible downside scenario would see the coronavirus pandemic's effects across 2021 as a whole mirror its effect on 2020 and therefore require widespread vaccination to prove far less effective than it is currently expected to be at the time of approving these accounts. In such circumstances the severe but plausible downside scenario projects the Group to breach its leverage covenant when it is again required to be tested at 31 March 2022, although the scenario also projects that the Group's RCF would be fully undrawn at that date. It is noted that, even when the waiver period expires in more than 12 months time, the leverage covenant will only be tested thereafter if the RCF remains in place, so its early cancellation would eliminate the test requirement completely and make the question of any future breach academic. As such, and with the continued expectation that the Group's financial performance will recover strongly once the coronavirus pandemic has receded, underpinned by some \$6.73bn of future core revenues under contract at 31 December 2020, in circumstances where a covenant breach was likely at 31 March 2022 the Group would either consider terminating the RCF or negotiating with the RCF Lenders to extend the period of the covenant waiver, or make other necessary amendments to the terms of the facility. Based on the historic support and strong, longstanding relationships with the RCF Lenders, and their unanimous support and the low costs charged for granting the ongoing waiver, the Group and the directors remain confident that any consent required for a further waiver would be given.

Notwithstanding the fact that the severe but plausible downside scenario does not indicate the Group will have a requirement for additional funding, the directors believe that if additional temporary support was required in 2022 from its RCF Lenders it would be secured, and even if in the unlikely event that the Group was unable to generate sufficient support for any necessary request, that alternative actions would be available to it, including raising additional or alternative third party financing, or securing support from its ultimate parent Liberty. On 23 April 2020 Liberty confirmed in a press release that it had positioned significant available liquidity to support the Group and enhance the Formula 1 business as required, by reattributing certain liquid assets under its ownership. With Liberty having reconfirmed their intention to provide support to the Group should it be required, and with those liquid assets still in place, the directors believe Liberty continues to have the ability to provide this support if needed. As such, and also supported by Delta Topco's own confirmation that, during the period, it intends to provide any additional financial support to the company and its fellow subsidiaries should it be required, the directors believe the company will have access to significant and sufficient liquidity to support its operations, including any additional funding as may be needed in the going concern period and beyond.

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 is the case with other Group companies, 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. 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.

Whilst the eventual overall impact on the Group and the company of, and the period that will be affected by, the coronavirus pandemic remains uncertain, for the reasons discussed above, including the indicative parental financial support of Delta Topco and Liberty should it be required, the directors are confident that the company has adequate resources to continue to meet all liabilities as and when they fall due for at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements are prepared on a going concern basis.

Directors of the company

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

Mr D Llowarch

Ms S Woodward Hill

Formula One Digital Media Limited

Directors' Report for the Year Ended 31 December 2020

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). As disclosed in note 23 no adjusting or disclosable post-balance sheet events have been identified arising from COVID-19.

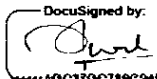
Disclosure of information to the auditor

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 18 March 2021 and signed on its behalf by:

DocuSigned by:

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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 2020 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 2020 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management and inspection of policy documentation as to the company's high-level policies and procedures to prevent and detect fraud including the company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Performing walkthroughs and obtaining understanding of key processes.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

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

As required by auditing standards, and taking into account possible pressures to meet targets, our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment. On this audit we do not believe there is a fraud risk related to revenue recognition because contracts are typically not complex and revenue recognition, which in most cases is linked directly to specific races or an entire championship season, requires minimal judgement.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the company-wide fraud risk management.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts, those containing unexpected words or descriptions, those posted by unexpected individuals and unbalanced or non-standard format journals.
- Assessing significant accounting estimates and judgements for bias.
- Reviewed certain contracts and commission arrangements for evidence of unusual or unexpected items. Requested third party confirmations for certain contracts to confirm terms in place.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the company is subject to other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

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

- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 10, 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.

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 I.L.P., Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

19 March 2021

Formula One Digital Media Limited

Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 \$ 000	2019 \$ 000
Turnover	7	44,291	35,417
Cost of sales		<u>(33,058)</u>	<u>(27,909)</u>
Gross profit		11,233	7,508
Administrative expenses		<u>(8,722)</u>	<u>(7,199)</u>
Profit on ordinary activities before interest	8	2,511	309
Interest payable and similar expenses	10	<u>(7)</u>	<u>(11)</u>
Profit before tax		2,504	298
Tax on profit on ordinary activities	14	<u>(486)</u>	<u>(73)</u>
Profit for the financial year		<u><u>2,018</u></u>	<u><u>225</u></u>

The above results were derived from continuing operations.

Formula One Digital Media Limited


Statement of Comprehensive Income for the Year Ended 31 December 2020

	2020	2019
	\$ 000	\$ 000
Profit for the year	2,018	225
Other comprehensive income, net of tax		
	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>2,018</u>	<u>225</u>

Formula One Digital Media Limited
(Registration number: 08915039)
Balance Sheet as at 31 December 2020

	Note	2020 \$ 000	2019 \$ 000
Fixed assets			
Intangible assets	15	20,254	17,792
Current assets			
Debtors due within one year	16	19,739	14,885
Creditors: Amounts falling due within one year	18	<u>(52,443)</u>	<u>(47,145)</u>
Net current liabilities		<u>(32,704)</u>	<u>(32,260)</u>
Net liabilities		<u>(12,450)</u>	<u>(14,468)</u>
Capital and reserves			
Called up share capital	19	-	-
Profit and Loss account		<u>(12,450)</u>	<u>(14,468)</u>
Shareholders' deficit		<u>(12,450)</u>	<u>(14,468)</u>

Approved by the Board on 18 March 2021 and signed on its behalf by:

DocuSigned by:

ADC27DC286C24D5.....
 Mr D Llowarch
 Director

Formula One Digital Media Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2019	-	(14,693)	(14,693)
Total comprehensive income	<u>-</u>	<u>225</u>	<u>225</u>
At 31 December 2019	-	(14,468)	(14,468)
Total comprehensive income	<u>-</u>	<u>2,018</u>	<u>2,018</u>
At 31 December 2020	<u><u>-</u></u>	<u><u>(12,450)</u></u>	<u><u>(12,450)</u></u>

Formula One Digital Media Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

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 18 March 2021.

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 2020 have had a material effect on the financial statements.

3 Going concern

Notwithstanding net current liabilities of \$32.7m and net liabilities of \$12.5m as at 31 December 2020, 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 and the continued impact of the coronavirus pandemic on the Group's ongoing business activities. The ongoing uncertainty arising from the coronavirus pandemic and its potential continued impact has to be considered from the point of view of its anticipated effect on both the company and the rest of the Group when adopting the going concern basis in these financial statements.

Unlike the challenge in April 2020 of considering, for going concern purposes, the then-largely unknown possible effects of the virus when approving the 2019 financial statements, the coronavirus pandemic and its effects are no longer a new development and the Group's experience of operating and successfully delivering a 17 race Championship in the second half of 2020, leave the Group optimistic as to its ability to continue to operate effectively in 2021. The Group expects, and is planning for, the 2021 season to start in Bahrain as scheduled, with the Bahrain GP due to take place on 28 March 2021. Therefore, as discussed, whilst it is likely that the scope of the Group's activities may continue to be somewhat compromised, particularly in the first few months of the season, it is expected, and reflected, in the Group's 2021 budget that conditions will improve as the year progresses and its financial results will be less severely impacted than in 2020, when despite the challenging circumstances the Group was still able to generate positive financial returns from its operations.

Formula One Digital Media Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

3 Going concern (continued)

Whilst the Group's 2021 budget has been prepared including significant levels of contingency to protect against the ongoing effects of the coronavirus pandemic, it indicates an improvement in expectations for financial performance in 2021 and underlines the Group's belief that performance will return quickly to historic levels once conditions allow. As such, if the budget projections are proved accurate, the Group will be in a stable and liquid position. However, given the uncertainty as to how long the coronavirus pandemic will impact the business, management continue to monitor and consider possible alternative scenarios in its trading performance and cash flow. As such, the Group has prepared a cash flow forecast for a period of at least 12 months from the date of approval of these accounts which includes severe but plausible downside scenarios. The severe but plausible downside scenarios reflect the circumstances and limited scope of activities seen in 2020 repeated throughout the forecast period. In such a scenario the Group is projected to deliver an improved level of financial performance on 2020. The severe but plausible downside scenarios indicate that the Group will continue to have sufficient funds to meet its liabilities as they fall due for that period.

Additionally, should fewer than 17 races take place, the directors are confident that the Group would have access to significant, readily-available liquidity to support its operations or access to additional funding if needed, as is discussed below. Given the success of the Group in successfully navigating 2020 and staging 17 races, and with the development and ongoing roll out of vaccine programmes globally, the significantly more severe scenario of no races being able to take place in the coming season which was considered at the time of approval of the 2019 financial statements is now considered sufficiently remote to be no longer plausible.

When considering liquidity, the directors note that the Group reported available cash on balance sheet of \$265.4m at 31 December 2020, and in addition has access to a \$500m revolving credit facility ("RCF"), which was wholly undrawn at 31 December 2020 and remains undrawn at the time of approval of these financial statements. The RCF remains available to the Group until November 2023 and the need to test a single EBITDA to net debt leverage ratio against a quarterly 8.25x test measure requirement has been temporarily waived by the lenders of the RCF ("the RCF Lenders"), with testing to be resumed from the quarter ending 31 March 2022. During the period of the waiver the Group is required to test a requirement for quarterly minimum liquidity to be above \$200m. Liquidity for this purpose is defined as the sum of cash on balance sheet and undrawn and available RCF, and as at 31 December 2020 this was measured at \$765.3m. Needing a simple majority consent to obtain the waiver, the Group received unanimous consent from all nine banks who are RCF Lenders with only a modest fee being paid to secure the agreed amendments to the terms of the RCF.

The circumstances and assumptions of the severe but plausible downside scenario would see the coronavirus pandemic's effects across 2021 as a whole mirror its effect on 2020 and therefore require widespread vaccination to prove far less effective than it is currently expected to be at the time of approving these accounts. In such circumstances the severe but plausible downside scenario projects the Group to breach its leverage covenant when it is again required to be tested at 31 March 2022, although the scenario also projects that the Group's RCF would be fully undrawn at that date. It is noted that, even when the waiver period expires in more than 12 months time, the leverage covenant will only be tested thereafter if the RCF remains in place, so its early cancellation would eliminate the test requirement completely and make the question of any future breach academic. As such, and with the continued expectation that the Group's financial performance will recover strongly once the coronavirus pandemic has receded, underpinned by some \$6.73bn of future core revenues under contract at 31 December 2020, in circumstances where a covenant breach was likely at 31 March 2022 the Group would either consider terminating the RCF or negotiating with the RCF Lenders to extend the period of the covenant waiver, or make other necessary amendments to the terms of the facility. Based on the historic support and strong, longstanding relationships with the RCF Lenders, and their unanimous support and the low costs charged for granting the ongoing waiver, the Group and the directors remain confident that any consent required for a further waiver would be given.

Formula One Digital Media Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

3 Going concern (continued)

Notwithstanding the fact that the severe but plausible downside scenario does not indicate the Group will have a requirement for additional funding, the directors believe that if additional temporary support was required in 2022 from its RCF Lenders it would be secured, and even if in the unlikely event that the Group was unable to generate sufficient support for any necessary request, that alternative actions would be available to it, including raising additional or alternative third party financing, or securing support from its ultimate parent Liberty. On 23 April 2020 Liberty confirmed in a press release that it had positioned significant available liquidity to support the Group and enhance the Formula 1 business as required, by reattributing certain liquid assets under its ownership. With Liberty having reconfirmed their intention to provide support to the Group should it be required, and with those liquid assets still in place, the directors believe Liberty continues to have the ability to provide this support if needed. As such, and also supported by Delta Topco's own confirmation that, during the period, it intends to provide any additional financial support to the company and its fellow subsidiaries should it be required, the directors believe the company will have access to significant and sufficient liquidity to support its operations, including any additional funding as may be needed in the going concern period and beyond.

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 is the case with other Group companies, 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. 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.

Whilst the eventual overall impact on the Group and the company of, and the period that will be affected by, the coronavirus pandemic remains uncertain, for the reasons discussed above, including the indicative parental financial support of Delta Topco and Liberty should it be required, the directors are confident that the company has adequate resources to continue to meet all liabilities as and when they fall due for at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements are prepared on a going concern basis.

4 Disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 39(c), 40A, 40B, 40C, 40D and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Formula One Digital Media Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

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 F1 TV via the F1.com website and the F1 App, 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.

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).

Formula One Digital Media Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

5 Accounting policies (continued)

Tax

The tax expense for the period comprises current 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.

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 with any changes made prospectively. 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 technically feasible and the company intends and is able to complete the asset so that it will be available for use or sale;
- 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.

Formula One Digital Media Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

5 Accounting policies (continued)

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 4-8 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, accrued income, cash and cash equivalents, intra-group receivables, trade creditors and intra-group payables.

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

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

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

Financial assets

(a) Classification and subsequent measurement

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

Financial assets at amortised cost

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

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

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

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

Formula One Digital Media Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

5 Accounting policies (continued)

(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 to a lifetime ECL and interest is calculated based on the gross carrying value of the asset

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

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

(c) Financial assets held by the company

(i) Trade debtors

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

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

(ii) Cash and cash equivalents

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

(iii) Intra-group receivables

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

Formula One Digital Media Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

5 Accounting policies (continued)

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.

COVID-19 impact on going concern considerations

As discussed in note 3 and in the Directors' Report to these financial statements, in light of the ongoing issues caused by the coronavirus pandemic, 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 considered both its 2021 budget, its base case expectation for 2022 and various alternative scenarios, including cash flow modelling, which assess on a broadly conservative basis the currently foreseeable range of impacts on the Group's financial performance in 2021, through the end of the going concern period ending 12 months from approval of these financial statements, and through the balance of 2022. The scenario modelling has 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 such that the directors have concluded the company will have access to sufficient liquidity across the going concern period in all foreseeable or plausible scenarios.

Formula One Digital Media Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

6 Judgements and key sources of estimation uncertainty (continued)

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.

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:

	2020 \$ 000	2019 \$ 000
Subscription based services	18,994	13,001
Licensing revenue	13,881	2,515
Digital advertising sales	8,600	10,276
Other digital media rights	2,816	9,625
	<u>44,291</u>	<u>35,417</u>

Subscription based services includes turnover generated from the sale of subscriptions to the F1 TV access and F1 TV Pro products, via the f1.com website, F1 App, and syndication deals.

Licensing revenue consists of revenue generated from the licensing of digital rights including the official F1 game, and other online and app-based racing games. Due to the growth in Licensing revenue in 2020 it has been split out as a separate category of revenue in the above table, both in 2020 and in the prior year.

Digital advertising sales is revenue derived from the sale of advertising space on the f1.com website and F1 App and 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.

Formula One Digital Media Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

8 Operating profit

Arrived at after charging:

	2020	2019
	\$ 000	\$ 000
Amortisation expense	3,659	1,990
Foreign exchange losses	<u>572</u>	<u>717</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.

	2020	2019
	\$ 000	\$ 000
Operating profit	2,511	309
Add: amortisation expense (see notes 8 and 15)	<u>3,659</u>	<u>1,990</u>
EBITDA	<u><u>6,170</u></u>	<u><u>2,299</u></u>

(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.

	2020	2019
	\$ 000	\$ 000
Cost of sales	(33,058)	(27,909)
Add: FOWC sub-licence fees	<u>4,504</u>	<u>2,298</u>
Cost of sales excluding FOWC sub-licence fees	<u><u>(28,554)</u></u>	<u><u>(25,611)</u></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.

	2020	2019
	\$ 000	\$ 000
Administrative expenses	(8,722)	(7,199)
Add: amortisation expense (see notes 8 and 15)	3,659	1,990
Add: FX losses:(gains) (see note 8)	<u>572</u>	<u>717</u>
Administrative expenses excluding amortisation & FX	<u><u>(4,491)</u></u>	<u><u>(4,492)</u></u>

Formula One Digital Media Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

10 Interest payable

	2020	2019
	\$ 000	\$ 000
Interest payable and similar expenses		
Other finance costs	<u>(7)</u>	<u>(11)</u>

11 Staff costs

The company had no employees during the year (2019-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.

13 Auditor's remuneration

	2020	2019
	\$ 000	\$ 000
Audit of the financial statements	<u>15</u>	<u>15</u>

14 Taxation

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

	2020	2019
	\$ 000	\$ 000
Current taxation		
Payment from fellow Formula 1 subsidiaries for group taxation relief	473	52
Group relief adjustments to prior periods	<u>-</u>	<u>(4)</u>
	473	48
Foreign tax	<u>13</u>	<u>25</u>
Tax charged/(credited) in the Profit and Loss account	<u><u>486</u></u>	<u><u>73</u></u>

Tax charged to the Profit and Loss account differs from tax calculated by applying the average rate of corporation tax in the UK of 19% (2019-19%) to the result before tax for the period. The differences are reconciled below:

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Notes to the Financial Statements for the Year Ended 31 December 2020

14 Taxation (continued)

	2020	2019
	\$ 000	\$ 000
Profit before tax	2,504	298
Corporation tax at standard rate	476	57
Decrease in current tax from adjustment for prior periods	-	(4)
Effect of different foreign tax rates	10	20
Total tax charge	486	73

Changes in tax rates and factors affecting the future tax charge

Under Finance Act 2016, the UK standard rate of corporation tax was scheduled to reduce from 19% to 17% from 1 April 2020. In March 2020, the UK Government confirmed that the reduction in the UK standard rate of corporation tax to 17% would be cancelled in Finance Act 2020, which was substantively enacted on 17th March 2020.

Deferred taxation

There are \$7.4m of unused tax losses (2019: \$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 justify recognition under the criteria set out in IAS12.

15 Intangible assets

	Other intangible assets \$ 000
Cost or valuation	
At 1 January 2020	20,328
Additions	6,121
At 31 December 2020	26,449
Amortisation	
At 1 January 2020	2,536
Amortisation charge	3,659
At 31 December 2020	6,195
Carrying amount	
At 31 December 2020	20,254
At 31 December 2019	17,792

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

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Notes to the Financial Statements for the Year Ended 31 December 2020

16 Debtors due within one year

	2020	2019
	\$ 000	\$ 000
Trade debtors	3,377	2,805
Amounts due from other Formula 1 companies	3,622	5,521
Accrued income	11,353	4,898
Prepayments	270	161
Other debtors	2	232
Other tax recoverable	1,115	1,268
	19,739	14,885
	19,739	14,885

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.

17 Cash and cash equivalents

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

	2020	2019
	\$ 000	\$ 000
Trade creditors	2,343	2,956
Accrued expenses	7,396	5,219
Amounts due to other Formula 1 companies	36,530	36,544
Social security and other taxes	554	15
Deferred income	5,620	2,411
	52,443	47,145
	52,443	47,145

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

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Notes to the Financial Statements for the Year Ended 31 December 2020

19 Share capital

Allotted, called up and fully paid shares

	No.	2020 \$	No.	2019 \$
Ordinary share of \$1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

20 Commitments

Capital commitments

Capital commitments are amounts contracted for, but not provided for, in these financial statements and relate to items of property, plant and equipment. The company had capital commitments of \$0.4m at 31 December 2020 (2019-\$Nil).

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.

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 2020 and as of the date of approval of these financial statements the company has been addressing issues arising from the continued coronavirus pandemic. In the directors' judgement 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 2020, although there remains evident economic risk exposures for its business in 2021 and potentially beyond, as discussed at length in the Strategic Report.