

# Liberty GR Holding Company Limited

Strategic Report, Directors' Report and Financial Statements

for the Period from 26 August 2016 to 31 December 2017

# **Liberty GR Holding Company Limited**

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# **Liberty GR Holding Company Limited**

## **Company Information**

<b>Directors</b>	Mr R Baer
	Mr T Lenneman
	Mr D Llowarch
	Mr G Maffei
	Mr C Troyer
	Ms S Woodward Hill
<b>Registered office</b>	No. 2 St. James's Market London SW1Y 4AH
<b>Auditor</b>	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL

## **Liberty GR Holding Company Limited**

### **Strategic Report for the Period from 26 August 2016 to 31 December 2017**

The directors present their Strategic Report, Directors' Report and the Financial Statements for the period from the company's incorporation on 26 August 2016 to 31 December 2017.

#### **Principal activity**

The principal activity of the company is that of a holding company.

#### **Review of the business and results for the period**

##### ***Acquisition of Delta Topco Limited by Liberty Media Corporation***

On 7 September 2016 Liberty Media Corporation ("Liberty"), the company's ultimate parent (see note 17), entered into two definitive stock purchase agreements relating to the acquisition of Delta Topco Limited ("Delta Topco"), the parent company of the Formula 1 group of companies. Delta Topco and its subsidiaries will collectively be referred to herein as "Formula 1" or the "Group". The transactions contemplated by the first purchase agreement were completed on 7 September and resulted in the acquisition of slightly less than a 20% minority stake in Formula 1. As part of this transaction the company issued 245.5m \$1 ordinary shares to its immediate parent Liberty GR Cayman Acquisition Company ("Liberty GR CAC") at par in return for a short term loan due from Liberty GR CAC. The company also issued a \$500m Eurobond to a fellow Liberty subsidiary Liberty GR Cayman Finance Company ("Liberty GR CFC") in return for cash which was then transferred to Liberty GR CAC in return for a short term note.

Liberty acquired 100% of the ordinary share capital of Delta Topco in a closing under the second purchase agreement on 23 January 2017. As part of this transaction the company issued a further 254.5m \$1 ordinary shares to Liberty GR CAC at par in return for a short term loan and the company also issued an additional \$500m Eurobond to Liberty GR CFC in return for cash which was then transferred to Liberty GR CAC in return for a short term note.

On 24 January 2017 the company acquired the entire ordinary share capital of Delta Topco from Liberty GR CAC in return for the issue of 3,132.4m shares and then subsequently, on the same day, transferred this investment in Delta Topco to the company's wholly owned subsidiary Liberty GR Acquisition Company Limited ("Liberty GR ACL") in return for 4,654.2m shares in Liberty GR ACL.

##### ***Group refinancing***

On 26 May 2017, in order to part fund the repayment of an element of the Group's external loans, \$388.0m of cash was contributed by Liberty. This was contributed to the company in return for the issue of shares and subsequently contributed to Liberty GR ACL in return for shares.

On 21 September 2017 and 27 November 2017, in order to settle Delta Topco's exchangeable loan notes, Liberty contributed a number of shares of Series C Liberty Formula One Common Stock ("Liberty Shares") and cash. This was contributed to the company in return for the issue of shares and subsequently contributed by the company to Liberty GR ACL in return for shares.

##### ***November 2017 restructure***

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

##### ***Changes impacting the company***

As a result of the restructuring, various steps (as discussed below) were taken by the company to amend its intra-group arrangements with Liberty GR ACL and Liberty GR CAC.

On 22 November as a preliminary step the company undertook a reduction of share capital, as a result of which its share capital was reduced by \$4,571.9m and the share premium account was reduced by \$13.2m, with both amounts transferred to retained earnings (see note 14). Thereafter, on 30 November 2017, a number of further actions were taken. The company's subsidiary Liberty GR ACL distributed to the company a promissory note of \$1,000.0m, due from Liberty GR CFC, as a distribution in specie (see note 6). The company then declared its own dividend of \$1,000.0m to its immediate parent Liberty GR CAC, distributing the promissory note in specie (see note 15).

## **Liberty GR Holding Company Limited**

### **Strategic Report for the Period from 26 August 2016 to 31 December 2017**

#### ***Financial performance***

During the period the company received a \$1,000.0m dividend from its wholly-owned subsidiary Liberty GR ACL. The company received \$21.8m of interest on its short term loan receivable from Liberty GR CAC and paid interest of \$108.2m on its Eurobonds (see note 13), reporting profit before tax of \$913.6m. At 31 December 2017 the short term loan receivable had a balance of Nil and the balance payable on the Eurobonds was \$1,108.2m.

The directors consider the performance of the company during the period to be both satisfactory and in line with expectations, and believe the company to be in a sound position at the balance sheet date.

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

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

#### ***Business risk***

The directors believe that the future success of the company, together with any threat to its ability to meet its obligations is dependent on the continued ability of Formula 1 to successfully exploit the commercial rights to the FIA Formula One World Championship ("the Championship") and its events. In that regard the directors highlight certain arrangements to which the company's subsidiaries are parties, and which indirectly support the position of the company. The directors believe the effect of the ongoing arrangements will allow the company to continue to meet its obligations as they fall due.

In 2001 the Group's indirectly wholly-owned subsidiary company SLEC Holdings Limited ("SLEC") entered into, and funded, an agreement with the FIA, as a result of which the Group acquired the FIA's commercial interests in the Championship. Under these arrangements another wholly-owned subsidiary Formula One World Championship Limited ("FOWC") became the commercial rights holder to the Championship with effect from 1 January 2011 for a period of 100 years ending on 31 December 2110.

The Championship continues to operate under the terms of agreements reached with the participating teams and the FIA. FOWC, in its capacity as the commercial rights holder, is party to separate binding agreements with every team currently participating in the Championship, pursuant to which those teams are committed to continue to participate in the Championship until (and including) 2020.

In July 2013 FOWC and certain other Group companies entered into a further agreement with the FIA pursuant to which the FIA committed to enter into a new Concorde Agreement for the period to 2020, on request, and to continue to operate on substantially the same terms as under the 2009 Concorde Agreement.

The Group is also party to long-term contractual arrangements with the promoters of the Championships' events under which it obtains the right to package and sell certain advertising, sponsorship, hospitality and other commercial rights in connection with the events.

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

Whilst a great deal of uncertainty remains as to the final arrangements for Brexit, Formula 1's business has certain characteristics that the directors believe should significantly mitigate risk in the areas highlighted above. These include the global nature of Formula 1, as a result of which the business has a globally diverse portfolio of contracts, customers and activities, and the fact that the majority of its business is transacted in US dollars. At this time Formula 1 does not anticipate that Brexit will have a material adverse effect on its business, albeit possible challenges could arise in moving staff and equipment to and from European-based races which take place during the course of a Championship season.

## **Liberty GR Holding Company Limited**

### **Strategic Report for the Period from 26 August 2016 to 31 December 2017**

The company will continue to monitor developments with Brexit, actively considering related risks and mitigation strategies as they emerge, and developing contingency plans as required to address any potentially adverse consequences that could arise.

The directors consider that the developments and factors identified above should 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 22 May 2018 and signed on its behalf by:



.....  
Mr D Llowarch  
Director

## **Liberty GR Holding Company Limited**

### **Directors' Report for the Period from 26 August 2016 to 31 December 2017**

#### **Incorporation**

The company was incorporated on 26 August 2016.

#### **Results and dividends**

The results for the period from 26 August 2016 to 31 December 2017 are shown in the Profit and Loss Account on page 10.

During the period the company declared and paid a dividend in specie of \$1,000.0m (see note 15).

#### **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 directors consider that the company has adequate financial resources to enable it to continue operating for the foreseeable future and at least the next twelve months and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

#### **Directors of the company**

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

Mr R Baer (appointed 26 August 2016)

Mr T Lenneman (appointed 1 September 2016)

Mr D Llowarch (appointed 3 October 2017)

Mr G Maffei (appointed 26 August 2016)

Mr C Troyer (appointed 1 September 2016)

Ms S Woodward Hill (appointed 3 October 2017)

#### **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**

KPMG LLP was appointed as auditor on 22 May 2018 and will be reappointed in accordance with section 485 of the Companies Act 2006.

Approved by the Board on 22 May 2018 and signed on its behalf by:



Mr D Llowarch  
Director

## **Liberty GR Holding Company 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.



## Liberty GR Holding Company Limited

### Independent Auditor's Report to the Members of Liberty GR Holding Company Limited

#### 1. Our opinion is unmodified

We have audited the financial statements of Liberty GR Holding Company Limited (the "company") for the period from 26 August 2016 to 31 December 2017 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and the related notes, including the accounting policies in note 4.

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2017 and of the company's profit for the period then ended;
- the financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 (Reduced Disclosure Framework); and
- the financial statements 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to those charged with governance.

We were appointed as auditor by the directors on 22 May 2018. The period of total uninterrupted engagement is for the financial period ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the company in accordance with, UK ethical requirements. No non-audit services prohibited by that standard were provided.

#### 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter, in arriving at our audit opinion above, together with our key audit procedures to address this matter. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

#### Recoverability of Liberty GR Holding Company Limited's investment in subsidiaries

The carrying amount of the company's investments in subsidiaries (\$5,655m) represents 100% of the company's total assets. The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the financial statements, this is considered to be the area that had the greatest effect on our overall audit.

Our Procedures included:

**Our sector experience:** Evaluating assumptions in the cashflow forecast model used to calculate the value in use of the investment, in particular those relating to forecast revenue growth;

**Benchmarking assumptions:** Comparing the company's assumptions to externally derived data in relation to key inputs such as projected economic growth and WACC rates; and

**Sensitivity analysis:** Performing scenario-specific models including changes to long term growth rates, risk measures and forecast cash flows.

#### 3. Application of materiality and an overview of the scope of our audit

Materiality for the financial statements was set at \$11m, determined with reference to a benchmark of total assets, (\$5,655m), of which it represents 0.2%.

We agreed to report to those charged with governance any corrected or uncorrected identified misstatements exceeding \$0.6m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

## **Liberty GR Holding Company Limited**

### **Independent Auditor's Report to the Members of Liberty GR Holding Company Limited**

#### **4. We have nothing to report on going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### **5. We have nothing to report on the other information in the Strategic and Directors' Reports**

The directors are responsible for the other information presented in the Strategic and Directors' Reports together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

##### ***Strategic Report and Directors' Report***

Based solely on our work on the other information:

- 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 period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### **6. We have nothing to report on the other 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.

#### **7. Respective responsibilities**

##### **Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements including 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 other irregularities (see below), 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, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

## **Liberty GR Holding Company Limited**

### **Independent Auditor's Report to the Members of Liberty GR Holding Company Limited**

#### **8. The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Smeulders (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
15 Canada Square  
London  
E14 5GL

24 May 2018

## Liberty GR Holding Company Limited

### Profit and Loss Account for the Period from 26 August 2016 to 31 December 2017

	Note	26 August 2016 to 31 December 2017 \$ 000
Dividend income received from shares in subsidiaries	6	1,000,000
Interest receivable and similar income	7	21,835
Interest payable and similar charges	7	<u>(108,249)</u>
Profit before tax		913,586
Tax on profit on ordinary activities	10	<u>-</u>
Profit for the financial period		<u><u>913,586</u></u>

The above results were derived from continuing operations.

**Liberty GR Holding Company Limited**

**Statement of Comprehensive Income for the Period from 26 August 2016 to 31 December 2017**

**26 August 2016  
to 31 December  
2017  
\$ 000**

Profit for the period	913,586
Other comprehensive income, net of tax	-
Total comprehensive income for the period	<u>913,586</u>

**Liberty GR Holding Company Limited**

**(Registration number: 10347725)**

**Balance Sheet as at 31 December 2017**

	Note	31 December 2017 \$ 000
<b>Fixed assets</b>		
Investments	11	5,655,247
Creditors: Amounts falling due after more than one year	13	<u>(1,108,248)</u>
Net assets		<u>4,546,999</u>
<b>Capital and reserves</b>		
Called up share capital	14	48,381
Profit and loss account		<u>4,498,618</u>
Shareholders' funds		<u>4,546,999</u>

Approved by the Board on 22 May 2018 and signed on its behalf by:



Mr D Llowarch

Director

# **Liberty GR Holding Company Limited**

## **Statement of Changes in Equity for the Period from 26 August 2016 to 31 December 2017**

	Share capital \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total \$ 000
At 26 August 2016	-	-	-	-
Total comprehensive income	-	-	913,586	913,586
Dividends	-	-	(1,000,000)	(1,000,000)
Issue of shares	4,620,256	13,157	-	4,633,413
Capital reduction	<u>(4,571,875)</u>	<u>(13,157)</u>	<u>4,585,032</u>	<u>-</u>
At 31 December 2017	<u>48,381</u>	<u>-</u>	<u>4,498,618</u>	<u>4,546,999</u>

The notes on pages 14 to 22 form an integral part of these financial statements.

# **Liberty GR Holding Company Limited**

## **Notes to the Financial Statements for the Period from 26 August 2016 to 31 December 2017**

### **1 General information**

The company is a private company limited by share capital, 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 22 May 2018.

### **2 Basis of preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and under historical cost accounting rules.

The financial statements contain information about Liberty GR Holding Company Limited as an individual company and do not contain consolidated financial information as the parent of a group, as the company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements, as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Liberty Media Corporation ("Liberty"), a company incorporated in the United States of America (see note 17).

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

### **3 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 requirements of paragraphs 10(d), 10(f), 39(c) 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.

### **4 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, unless otherwise stated.

#### **Dividend income**

Income is recognised when the company's right to receive the payment is established, which is generally when shareholders approve the dividend.



## Liberty GR Holding Company Limited

### Notes to the Financial Statements for the Period from 26 August 2016 to 31 December 2017

#### 4 Accounting policies (continued)

##### **Interest receivable**

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

##### **Tax**

The tax expense for the period comprises 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 the tax rates and laws enacted or substantively enacted at the balance sheet date, plus any adjustments to tax payable in respect of previous periods.

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

##### **Investments**

Investments in subsidiaries are carried at cost less provision for impairment.

##### **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 assets**

###### ***Classification***

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

###### ***Recognition and measurement***

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

###### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include intra-group loans and intra-group receivables. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. The EIR amortisation is included in interest receivable in the profit and loss account. Any losses arising from impairment are recognised in the profit and loss account in interest payable and similar charges for loans and in cost of sales or other operating expenses for receivables.

###### ***Impairment***

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

## Liberty GR Holding Company Limited

### Notes to the Financial Statements for the Period from 26 August 2016 to 31 December 2017

#### 4 Accounting policies (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest receivable and similar income in the profit and loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the profit and loss.

##### **Financial liabilities**

###### *Classification*

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

###### *Recognition and measurement*

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

###### *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the EIR amortisation process. Loans and borrowings include intra-group loans.

##### **Intra-group transactions**

###### *Payables and receivables*

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

###### *Intra-group loans payable and interest expense*

All loans are initially recorded at the amount of proceeds received, net of transaction costs. Loans are subsequently carried at amortised cost, with the difference between the proceeds and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant loan as interest expense.

Loans are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

###### *Intra-group loans receivable and interest receivable*

All loans receivable are initially recorded at the amount issued, net of transaction costs. Loans receivable are subsequently carried at amortised cost, with the difference between the amount issued and the amount due on redemption being recognised as a credit to the profit and loss account over the period of the relevant loan as interest receivable. Any losses arising from impairment are recognised in the profit and loss account in interest payable and similar charges.

Loans receivable are classified as current assets unless the company does not have an unconditional right to recover the loan for at least 12 months after the reporting date.

##### **Dividends**

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

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

The preparation of historical financial information typically requires management to make judgements, estimates and assumptions that affect the reported amounts of turnover, expenses, assets and liabilities and the disclosures of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. However, no judgements or estimates have been made that management consider to have a significant effect on the amounts recognised in these financial statements.

# **Liberty GR Holding Company Limited**

## **Notes to the Financial Statements for the Period from 26 August 2016 to 31 December 2017**

### **6 Dividend income received from shares in subsidiaries**

**26 August 2016  
to 31 December  
2017  
\$ 000**

Dividend income received	1,000,000
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On 30 November 2017 the company's subsidiary Liberty GR Acquisition Company Limited ("Liberty GR ACL") distributed to the company a promissory note of \$1,000.0m due from Liberty GR Cayman Finance Company ("Liberty GR CFC") as a distribution in specie.

### **7 Interest payable and receivable**

**26 August 2016  
to 31 December  
2017  
\$ 000**

#### **Interest receivable and similar income**

Interest income from other Liberty companies	21,835
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#### **Interest payable and similar charges**

Interest on borrowings from other Liberty companies	(108,249)
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### **8 Staff costs**

The company had no employees during the period and none of the directors received remuneration for their services to the company.

### **9 Auditor's remuneration**

No audit fee was incurred by the company during the period. Fees of \$3,995 in relation to the audit of the company's financial statements were borne by Formula One Management Limited, a fellow Formula 1 subsidiary (see note 11).

### **10 Income tax**

Tax charged in the profit and loss account:

**26 August 2016  
to 31 December  
2017  
\$ 000**

#### **Current taxation**

UK corporation tax	-
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Current tax charged to the profit and loss account for the period is lower than the average rate of corporation tax in the UK for the period of 19.44%. The differences are reconciled below:

# **Liberty GR Holding Company Limited**

## **Notes to the Financial Statements for the Period from 26 August 2016 to 31 December 2017**

### **10 Income tax (continued)**

**26 August 2016  
to 31 December  
2017  
\$ 000**

Profit before tax	<u>913,586</u>
Corporation tax at standard rate	177,601
Non-taxable dividends received	(194,400)
Non-deductible interest expenses	<u>16,799</u>
Tax charge for the period	<u>-</u>

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

### **11 Investments in subsidiaries**

**31 December  
2017  
\$ 000**

Investments in subsidiaries	<u>5,655,247</u>
<b>Subsidiaries</b>	<b>\$ 000</b>
<b>Cost or valuation</b>	
Additions	10,322,634
Disposals	<u>(4,667,387)</u>
At 31 December 2017	<u>5,655,247</u>
<b>Carrying amount</b>	
At 31 December 2017	<u>5,655,247</u>

On 24 January 2017 the company acquired an investment in Delta Topco Limited ("Delta Topco") with a value of \$4,667.4m. In consideration for this transaction the company issued share capital of \$3,132.4m (see note 14) with share premium of \$13.2m and in settlement of short term loans receivable of \$1,521.8m.

On 24 January 2017 the company acquired 4,654.2m ordinary shares of \$1 in its subsidiary Liberty GR ACL and in consideration transferred 100% of the ordinary shares of Delta Topco Limited to Liberty GR ACL.

On 26 May 2017 the company acquired 388.0m ordinary shares of \$1 in Liberty GR ACL for consideration of \$388.0m.

On 21 September 2017 the company acquired 551.5m ordinary shares of \$1 in Liberty GR ACL in return for fully paid shares of Series C Liberty Formula One Common Stock ("Liberty Shares") that were subsequently contributed to Delta Topco to part settle its exchangeable loan notes.

## Liberty GR Holding Company Limited

### Notes to the Financial Statements for the Period from 26 August 2016 to 31 December 2017

#### 11 Investments in subsidiaries (continued)

On 27 November 2017 the company acquired 48.4m ordinary shares of \$1 in Liberty GR ACL in return for \$0.3m cash and \$48.1m Liberty Shares which were used to acquire the remaining balance of Delta Topco's exchangeable loan notes.

Thus at 31 December 2017 the cost of the investment of \$5,655.2m represented the cost of acquiring 100% of the company's subsidiary Liberty GR ACL.

#### Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows (\*indicates investment is held by a subsidiary undertaking):

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	Principal activity
<b>Subsidiary undertakings</b>				
Allsport Management S.A.*	Switzerland	Ordinary shares	100%	Non-trading
Alpha Prema UK Limited*	England and Wales	Ordinary shares	100%	Intermediate holding company
Alpha Topco Limited*	Jersey (The Channel Islands)	Ordinary shares	100%	Intermediate holding company
Beta Holdings Limited*	England and Wales	Ordinary shares	100%	Intermediate holding company
Delta 2 (Lux) S.à r.l.*	Luxembourg	Ordinary shares	100%	Intermediate holding company
Delta 3 (UK) Limited*	England and Wales	Ordinary shares	100%	Intermediate holding company
Delta Debtco Limited*	Jersey (The Channel Islands)	Ordinary shares	100%	Intermediate holding company
Delta Topco Limited*	Jersey (The Channel Islands)	Ordinary shares	100%	Intermediate holding company
Formula One Research, Engineering and Development Limited (formerly Beta D3 Limited)*	England and Wales	Ordinary shares	100%	Financing company
Formula Motorsport Limited*	England and Wales	Ordinary shares	100%	Motorsport management, administration and organisation
Formula One Administration Limited*	England and Wales	Ordinary shares	100%	Intellectual property ownership
Formula One Asset Management Limited*	England and Wales	'A' Ordinary shares	100%	Intellectual property ownership
Formula One Digital Media Limited*	England and Wales	Ordinary shares	100%	Digital media exploitation
Formula One Hospitality and Event Services Limited*	England and Wales	Ordinary shares	100%	Formula 1® hospitality and event services

## Liberty GR Holding Company Limited

### Notes to the Financial Statements for the Period from 26 August 2016 to 31 December 2017

#### 11 Investments in subsidiaries (continued)

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	Principal activity
Formula One Licensing BV*	Netherlands	Ordinary shares	100%	Intellectual property ownership
Formula One Management Limited*	England and Wales	Ordinary shares	100%	Formula 1® management, administrative and technical services
Formula One Marketing Limited*	England and Wales	Ordinary shares	100%	Sale of Formula 1® related advertising and other event rights
Formula One Marketing II Limited*	England and Wales	Ordinary shares	100%	Sale of Formula 1® related advertising and other event rights
Formula One World Championship Limited*	England and Wales	Ordinary shares	100%	Formula 1® commercial rights exploitation
GP2 Limited*	British Virgin Islands	Ordinary shares	0%	Motorsport commercial rights exploitation
Liberty GR Acquisition Company Limited	England and Wales	Ordinary shares	100%	Intermediate holding company
SLEC Holdings Limited*	Jersey (The Channel Islands)	Ordinary shares	100%	Intermediate holding company

#### Details of registered offices

The registered office of Allsport Management S.A. is Route de l'Aéroport 10, 1215 Geneve 15, Switzerland.

The registered office of Alpha Topco Limited, Delta Debtco Limited, Delta Topco Limited and SLEC Holdings Limited is 1 Waverley Place, Union Street, St Helier, Jersey, JE1 1SG.

The registered office of Delta 2 (Lux) S.à r.l. is 19, rue de Bitbourg, Luxembourg, L-1273.

The registered office of Formula One Licensing BV is Beursplein 37, 3011AA Rotterdam, The Netherlands.

The registered office of GP2 Limited is OMC Chambers, P. O. Box 3152, Road Town, Tortola, British Virgin Islands.

The registered office of all of the other subsidiaries listed above is No.2 St. James's Market, London, UK, SW1Y 4AH.

#### 12 Creditors: Amounts falling after more than one year

	Note	31 December 2017 \$ 000
Loans and borrowings	13	<u>1,108,248</u>

#### 13 Loans and borrowings

	31 December 2017 \$ 000
Non-current loans and borrowings	
Loans from other Liberty companies	<u>1,108,248</u>

## Liberty GR Holding Company Limited

### Notes to the Financial Statements for the Period from 26 August 2016 to 31 December 2017

#### 13 Loans and borrowings (continued)

Non-current loans and borrowings include amounts not wholly repayable within 5 years as follows:

	31 December 2017 \$ 000
Loans repayable other than by instalments	<u>1,108,248</u>

Loans from other Liberty companies of \$1,108.2m represent two Eurobonds of \$500.0m.

On 7 September 2016, in return for cash, the company issued a Eurobond of \$500.0m to a fellow Liberty subsidiary Liberty GR CFC with interest charged at a rate of 9.50% per annum. The Eurobond is unsecured and is repayable on 1 October 2026. \$63.7m of interest was charged during the period and \$51.2m of interest was capitalised on 30 September 2017. At 31 December 2017 the balance on the Eurobond was \$563.7m

On 23 January 2017, in return for cash, the company issued a Eurobond of \$500.0m to Liberty GR CFC with interest charged at a rate of 9.50% per annum. The Eurobond is unsecured and is repayable on 1 February 2027. \$44.5m of interest was charged during the period. At 31 December 2017 the balance on the Eurobond was \$544.5m.

The Eurobonds are listed on The International Stock Exchange. On 30 November 2017 the interest rate was amended to 7.75% per annum.

#### 14 Share capital

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

	31 December 2017 No. 000	\$ 000
Ordinary shares of \$1 each	<u>48,381</u>	<u>48,381</u>

Upon incorporation of the company on 26 August 2016 the company issued one ordinary share of \$1 for a consideration of \$1.

On 7 September 2016 the company issued 245.5m ordinary shares of \$1 each as consideration for a short term loan due from Liberty GR Cayman Acquisition Company ("Liberty GR CAC") of \$245.5m.

On 23 January 2017 the company issued 254.5m ordinary shares of \$1 each as consideration for a short term loan due from Liberty GR CAC of \$254.5m.

On 24 January 2017 the company issued 3,132.4m ordinary shares of \$1 each as part consideration for the acquisition of 100% of the ordinary shares of Delta Topco.

On 26 May 2017 the company issued 388.0m ordinary shares of \$1 each for a consideration of \$388.0m.

On 21 September 2017 the company issued 551.5m ordinary shares of \$1 each in return for Liberty Shares with a value of \$551.5m which were then contributed down to the company's subsidiary (see note 11) and subsequently contributed to Delta Topco for part settlement of its exchangeable loan notes.

On 22 November 2017 as part of restructuring exercise, the share capital was reduced by a capital reduction of 4,571.9m shares which reduced the share capital by \$4,571.9m and also reduced the share premium by \$13.2m.

## **Liberty GR Holding Company Limited**

### **Notes to the Financial Statements for the Period from 26 August 2016 to 31 December 2017**

#### **14 Share capital (continued)**

Finally on 27 November 2017 the company issued 48.4m ordinary shares of \$1 each as consideration for cash of \$0.3m and Liberty Shares with a value \$48.1m which were then contributed down to the company's subsidiary (see note 11) and used to acquire the remaining balance of Delta Topco's exchangeable loan notes.

Thus at 31 December 2017 the issued share capital of the company was 48,380,578 ordinary shares of \$1 each.

#### **15 Dividends**

**26 August 2016  
to 31 December  
2017  
\$ 000**

Dividends paid	<u>1,000,000</u>
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On 30 November 2017 dividends of \$1,000.0m were declared and paid to Liberty GR CAC as a distribution in specie of a promissory note of \$1000.0m issued by Liberty GR CFC.

#### **16 Related party transactions**

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

#### **17 Parent and ultimate parent undertaking**

The company's immediate parent undertaking is Liberty GR Cayman Acquisition Company, a company incorporated in the Cayman Islands and a wholly-owned subsidiary of Liberty Media Corporation.

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