Registration number: 05988544

Delta 3 (UK) Limited

Strategic Report, Directors' Report and Financial Statements

for the Year Ended 31 December 2019

Delta 3 (UK) Limited

Contents

Delta 3 (UK) 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

"Allsport"	Allsport Management SA (a Formula 1 subsidiary)
"Alpha Prema"	Alpha Prema UK Limited (a Formula 1 subsidiary)
"Delta 2"	Delta 2 (Lux) S.à.r.l. (a Formula 1 subsidiary)
"Delta 3"	Delta 3 (UK) Limited (the company)
"Delta Topco"	Delta Topco Limited (parent company of Formula 1)
"FOL"	Formula One Licensing BV (a Formula 1 subsidiary)
"FOM"	Formula One Management Limited (a Formula 1 subsidiary)
"FOML"	Formula One Marketing Limited (a Formula 1 subsidiary)
"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)
"Liberty Finco"	Liberty GR Cayman Finance Company (a subsidiary of Liberty Media Corporation)
"SLEC"	SLEC Holdings Limited (a Formula 1 subsidiary)

(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'
"IAS"	International Accounting Standard
"IFRS"	International Financial Reporting Standard

Delta 3 (UK) 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

Delta 3 (UK) Limited

Strategic Report for the Year Ended 31 December 2019

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

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

Principal activity
The principal activity of the company remains that of a holding company. The company's subsidiaries include FOWC, the Commercial Rights Holder ("CRH") to 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 and results for the year
The company's key financial and other performance indicators during the year were as follows:

	2019 $m	2018 $m	Change $m	Change %
Interest receivable from other Formula 1 companies	**263.6**	263.0	0.6	-%
Dividend and other finance income	**-**	161.6	(161.6)	(100%)
Interest payable on loans to other Liberty subsidiaries	**(85.3)**	(79.1)	(6.2)	8%
Non-cash payment in kind interest on loans from other Formula 1 companies	**(145.9)**	(135.6)	(10.3)	8%
Net interest and finance income receivable	**32.4**	209.9	(177.5)	(85%)
Profit before taxation	**32.4**	209.9	(177.5)	(85%)

Net interest and finance income reduced to $32.4m in 2019 (2018-$209.9m) principally on account of dividend income in the prior year.

The balances outstanding on the company's principal loans at the year-end are summarised below:

	2019 $m	2018 $m	Change $m	Change %
Delta 2 PIK loans outstanding	**(2,913.6)**	(2,903.6)	(10.0)	%
Liberty Finco loan outstanding	**(1,171.1)**	(1,085.8)	(85.3)	8%
Loans to Alpha Prema	**4,528.5**	4,405.1	123.4	3%
Loan to Delta Topco	**133.0**	133.0	-	-%
Shareholders' funds	**5,862.4**	5,842.8	19.6	%

As at 31 December 2019 a balance of $2,913.6m (2018-$2,903.6m) was outstanding on the Payment in Kind ("PIK") loan notes payable to Delta 2, the company's immediate parent. During 2019, the PIK loans were charged interest at an effective interest rate of 5.6114% representing the cost of debt that Delta 2 incurred during the period on its external debt (2018 - 4.3600%). The PIK loans are repayable in November 2060.

As at 31 December 2019 a balance of $1,171.1m (2018-$1,085.8m) was due on the loan from Liberty Finco, a fellow Liberty subsidiary. The loan notes are charged interest at a fixed 7.75% pa and are repayable in March 2035.

The company has also made loans to its subsidiary Alpha Prema on which it charges interest at 6% pa. The balance on the loans at 31 December 2019 had increased to $4,528.5m (2018-$4,405.1m). The company also has a loan receivable from Delta Topco of $133.0m (2018-$133.0m) although no interest is charged on this loan.

The directors consider the performance of the company during the year 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 under its intra-group borrowings, is dependent on the continued ability of Formula 1 to successfully exploit the commercial rights to 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 be to allow the company to continue to meet its obligations as they fall due.

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

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

FOML, another subsidiary of the company, is party to long-term contractual arrangements with the promoters of the majority of the Championship’s events under which FOML obtains the rights to package and sell advertising, sponsorship, hospitality and other commercial rights in connection with those events.

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

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

COVID-19 and risks for the company and Group

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

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

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

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

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

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

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

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

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

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.

Statement by the directors in performance of their statutory duties in accordance with section 172(1) of the Companies Act 2006

The company's directors consider, both individually and together, that they have acted in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its sole shareholder, Delta 2 (see note 21). They have also considered the company's other stakeholders and matters set out in section 172(1)(a) to (f) of the Companies Act 2006 in the decisions taken during the financial year ended 31 December 2019.

Long term strategy and decision making
As discussed, the company is an intermediate holding company within a Group whose principal business activity is the exploitation of the commercial rights to the Championship. The company plays no direct role in that activity, and its only ongoing material transactions relate to interest charges in respect of loan receivables and payables with other Group companies and another Liberty subsidiary, and the treatment of a significant deferred tax balance.

Whilst given the ongoing nature of the company's activities there are few material decisions for the company to make, and there were none of any significance to take during the year, the directors of the company recognise the importance of taking decisions for the long term and analysing the likely consequence of each key decision they make. In taking decisions the directors also seek to apply and maintain highest standards of business conduct, and given the company has a single shareholder, the directors are not at risk of acting unfairly between its members when making them.

As noted, the company is part of the Group and with all companies within the Group wholly owned, long term strategy is determined at the Group level with decisions and activities then delegated to its individual companies. Whilst the main objectives of the company and certain strategic decisions will be set/taken at a Group level, consideration does still need to be given to the individual interests of the company. Given that in addition to being directors of the company, Mr Llowarch and Ms Woodward Hill are also members of the Group's executive management, being respectively its Chief Financial Officer and its General Counsel, they are able to consider any decisions to be taken both in the context of the interests of the wider Group and its detailed strategy, and in the interests of the company.

The Group's strategy, which is published and is available on the Group's corporate website (https://corp.formula1.com), sets out to deliver long-term value to its ultimate owner Liberty, and to other stakeholders including the company. The strategy also promotes the Group's other aims, which include to grow the sport and its fan base, and to ensure the Championship's long-term sustainability, and is built around six strategic priorities:

• Race: Increase competitiveness and unpredictability on track;
• Engage: Produce world-class spectacles for fans on and off track;
• Perform: Drive value for our stakeholders;
• Sustain: Deliver sustainable and efficient operations;
• Collaborate: Create win-win relationships with our partners; and
• Empower: Build an engaged, high-performing workforce.

Maintaining a reputation for high standards of business conduct

The Group seeks to maintain high business standards, ensuring that wherever its subsidiaries are operating in the world, their business is conducted with integrity, and in compliance with the law and the Formula 1 Code of Conduct. The code, which includes the Group's anti-bribery and corruption policy, has been adopted by each Formula 1 subsidiary, including the company, and applies to every officer and employee of the Group.

In addition to the requirements of its subsidiaries, officers and employees, the Group also expects third parties who perform services for Formula 1 to apply or adopt internal policies that are consistent with this Code. In that regard the Group's compliance team conduct KYC checks and other due diligence work on any potential partners the company considers doing business with.

As the subsidiary of a US public company, Liberty, the company and the wider Group are also required to comply with additional requirements, including the Foreign Account Tax Compliance Act (FATCA) and certain aspects of the 2002 Sarbanes-Oxley Act ("SOX"). SOX requires the Group to establish and maintain robust internal control structures and procedures for financial reporting, to report on their effectiveness, and have that effectiveness tested and assessed annually by its external auditors. The conclusions of the work on SOX for the 2019 year are that the Group continues to operate a robust and effective control environment.

Engagement with key stakeholders

In addition to the company's parent and other fellow subsidiary companies of Formula 1, the directors consider the company's key stakeholders to be Liberty and the Group's external lenders.

The directors, together with the Group's other senior management, regularly discuss material strategic and operational matters with senior Liberty executives, some of whom sit on the boards of certain Group companies, including Delta Topco. As a US listed company, Liberty has significant public reporting obligations, and given Formula 1 is a material subsidiary, the Group is required to fulfil significant reporting requirements to Liberty on a quarterly and annual basis. These include the requirement for the Group to be compliant with, and report to it on, certain SOX requirements as discussed above. The Group also assists Liberty with investor relations activities, contributing to Liberty's quarterly earnings calls and annual investor day.

The company has various intra-group loans and trading balances with other subsidiary companies of Formula 1. Formula 1's subsidiaries work together to pursue and deliver the Group's strategy and targets and ensure that any intra-group arrangements are in the interests of both parties. This requires that the terms of any intra-group loan agreements and trading balances are agreed and monitored, and that any required support is provided.

The company, together with several other Group companies, is party to and guarantees the Group's external borrowing arrangements. The Group provides quarterly management reports and compliance certificates to external lenders, holds periodic update calls and liaises on a regular basis with the agent who oversees the facilities on behalf of lenders. The Group also meets on a regular basis with the rating agencies to update them on its progress and expectations for the future.

Other stakeholder considerations
The directors recognise the importance of certain other stakeholders in the success of both the company and the Group as a whole, including the Group's employees, of which the company has none of its own, the Championship's fans, the FIA and the competing teams, and other commercial partners - the race promoters, broadcasters and sponsors of the Championship. The Group's wider engagement with such stakeholders is discussed in the financial statements of the Group companies primarily responsible for overseeing the relevant relationships, and the section 172 (1) statements required of any of its subsidiaries are published on the Group's corporate website.

The community and the environment
During 2019 the Group announced an ambitious environmental sustainability plan for F1, and in January 2020 has signed up to the United Nations' Sports for Climate Action Framework, underlining its commitment to becoming more environmentally conscious in the future.

The sustainability plan targets the Championship to have a net-zero carbon footprint by 2030, with related initiatives addressing both the cars and on-track activity, and the other race operations, including logistics and travel, of both the Group and other stakeholders in the sport. In addition, the Group aims to ensure all Formula 1 races are sustainable by 2025 through the use of appropriate materials at all events, the elimination of single-use plastics and ensuring all waste is reused, recycled or composted. Additional incentives and tools will be offered to every fan to find a greener way to reach the race, and focus will be placed on ensuring circuits and facilities enhance both fan wellbeing and nature, also providing opportunities for local people, businesses and causes to get more involved in the race weekend.

The directors fully subscribe to the aims of the plan, details of which are available from the Group's corporate website, and the company will pursue any required actions to contribute to its successful delivery.

The Group continues to support F1 in Schools, a global social enterprise working with committed industry partners to provide an exciting educational experience through the magnetic appeal of Formula 1, with the key objective of changing children's perceptions of the STEM subjects - science, technology, engineering and maths.

The Group takes steps to support communities in the countries in which it operates. For example, in January 2020 the Group organised an auction of F1 valuable memorabilia and experiences in order to raise money to help those affected by the Australian bushfires.

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

....
Mr D Llowarch
Director

Results and dividends

The results for the year are shown in the Profit and Loss Account on page 14. On 9 December 2019 the company declared and paid a cash dividend to its immediate parent company Delta 2 of $4.5m (2018-$11.8m dividend in specie).

Employee engagement

No matters concerning employee engagement have been discussed herein because the company has no employees.

Future developments

The directors consider the developments detailed herein and 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. As discussed above, the company is a holding company whose primary asset is its investment in subsidiaries, and, as noted the directors consider the future success of the company is dependent on the continued ability of Formula 1 to successfully exploit the commercial rights to the Championship, as the company has historically been supported by intergroup loans and dividends and/or interest income received from its subsidiaries in order to meet any liabilities that fall due. Therefore, the relative uncertainty of the COVID-19 outbreak and its exact impact has had to be considered both from the point of view of its anticipated effect on the company and the Group when adopting the going concern basis in these financial statements.

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

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

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

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

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

Directors' Report for the Year Ended 31 December 2019

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

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

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

Directors of the company

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

Mr D Llowarch

Ms S Woodward Hill

Non adjusting events after the financial period

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

Disclosure of information to the auditor

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

Reappointment of auditor

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

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

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Mr D Llowarch
Director

Delta 3 (UK) 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 Delta 3 (UK) Limited

Opinion

We have audited the financial statements of Delta 3 (UK) Limited (the "company") for the year ended 31 December 2019 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 5.

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

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

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

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

Strategic report and directors' report

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

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

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Independent Auditor's Report to the Members of Delta 3 (UK) Limited

Directors' responsibilities

As explained more fully in their statement set out on page 11, 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 further description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

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

Chartered Accountants
15 Canada Square
London
E14 5GL

29 April 2020

Delta 3 (UK) Limited

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 $ 000	2018 $ 000
Administrative expenses		(68)	(41)
Interest receivable and similar income	7	263,698	424,602
Interest payable and similar charges	7	(85,316)	(79,101)
Non-cash payment in kind interest on loans from other Formula 1 companies	7	(145,871)	(135,565)
Profit before tax		32,443	209,895
Tax on profit on ordinary activities	10	(8,371)	5,591
Profit for the financial year		24,072	215,486

The above results were derived from continuing operations.

Statement of Comprehensive Income for the Year Ended 31 December 2019

	2019 $ 000	2018 $ 000
Profit for the year	24,072	215,486
Other comprehensive income, net of tax		
	-	-
Total comprehensive income for the year	24,072	215,486

The notes on pages 18 to 31 form an integral part of these financial statements.

Delta 3 (UK) Limited

(Registration number: 05988544)
Balance Sheet as at 31 December 2019

	Note	2019 $ 000	2018 $ 000
Fixed assets			
Investments	11	5,079,891	5,079,891
Current assets			
Debtors due within one year	12	3,143,249	3,033,440
Debtors due after more than one year: Amounts owed by group undertakings	13	1,539,747	1,526,275
Debtors due after more than one year: Deferred tax assets	10	203,304	203,304
		4,886,300	4,763,019
Creditors: Amounts falling due within one year	14	(19,071)	(10,701)
Net current assets		4,867,229	4,752,318
Total assets less current liabilities		9,947,120	9,832,209
Creditors: Amounts falling due after more than one year	15	(4,084,680)	(3,989,364)
Net assets		5,862,440	5,842,845
Capital and reserves			
Called up share capital	17	133,025	133,025
Profit and Loss account		5,729,415	5,709,820
Shareholders' funds		5,862,440	5,842,845

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

....
Mr D Llowarch
Director

The notes on pages 18 to 31 form an integral part of these financial statements.

Delta 3 (UK) Limited

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

	Share capital $ 000	Retained earnings $ 000	Total $ 000
At 1 January 2018	133,025	5,506,121	5,639,146
Total comprehensive income	-	215,486	215,486
Dividends	-	(11,787)	(11,787)
At 31 December 2018	133,025	5,709,820	5,842,845
Total comprehensive income	-	24,072	24,072
Dividends	-	(4,477)	(4,477)
At 31 December 2019	133,025	5,729,415	5,862,440

The notes on pages 18 to 31 form an integral part of these financial statements.

Delta 3 (UK) Limited

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

1 General information

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

The address of its registered office is:
No. 2 St. James's Market
London
SW1Y 4AH

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

2 Basis of preparation

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

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

The financial statements contain information about Delta 3 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, a company incorporated in the United States of America (see note 21).

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

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

3 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.

4 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. As discussed above, the company is a holding company whose primary asset is its investment in subsidiaries, and, as noted the directors consider the future success of the company is dependent on the continued ability of Formula 1 to successfully exploit the commercial rights to the Championship, as the company has historically been supported by intergroup loans and dividends and/or interest income received from its subsidiaries in order to meet any liabilities that fall due. Therefore, the relative uncertainty of the COVID-19 outbreak and its exact impact has had to be considered both from the point of view of its anticipated effect on the company and the Group when adopting the going concern basis in these financial statements.

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

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

Revenues and returns generated by the Group's subsidiaries contribute towards the servicing, and compliance with the terms, of the Group’s external financing arrangements. Under these, the Group’s subsidiaries have access to a $500m revolving credit facility (“RCF”), which can provide additional liquidity if it is so required. As a result, in adopting the going concern basis of preparation, consideration has been given by the directors to the ability of the Group as a whole to both continue to comply with the terms of its existing financing arrangements, and to access sufficient additional or alternative sources of liquidity if they are required.

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

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

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

4 Going concern (continued)

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

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

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.

Interest received

Income is recognised as interest accrues using the effective interest rate ("EIR") 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.

Dividend income

Income is recognised when the company's right to receive the payment is established.

Tax

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

Current tax is the expected tax payable for the year based on 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.

5 Accounting policies (continued)

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.

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 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 intra-group receivables, intra-group loans receivable, intra-group payables and intra-group loans payable.

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 liabilities are initially measured at fair value. 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, at FVOCI or at FVPL. The company has no financial assets recognised at 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).

5 Accounting policies (continued)

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

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

(b) Impairment of financial assets

The company assesses financial assets at amortised cost, lease receivables and accrued income 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 and long term trade receivables, with the general approach used for other financial assets.

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

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

-Stage 1: items that have not deteriorated significantly in credit quality since initial recognition. For these items, the ECL is based on credit losses that result from default events that are possible within the next 12 months (a 12 month ECL) and is calculated as lifetime losses from default inside 12 months weighted by the probability of default in 12 months
-Stage 2: items that have deteriorated significantly in credit quality since initial recognition but do not have objective evidence of a credit loss event. For these items, the ECL is equal a lifetime ECL and interest is calculated based on the gross carrying value of the asset
-Stage 3: items that have objective evidence of impairment at the reporting date. For these items the ECL is also equal to a lifetime ECL but the interest is calculated based on the net carrying value of the asset.

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

(c) Financial assets held by the company

(i) Intra-group receivables

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

(ii) Intra-group loans 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.

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 intra-group payables and intra-group loans. All of the company's financial liabilities are classified as 'Financial liabilities measured at amortised cost'.

(i) Intra-group payables

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

(ii) Intra-group loans payable

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, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant loan. Interest expense is recognised on the basis of the EIR method and is included in finance costs. 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.

Dividends

Dividend distributions to the company's parent are recognised as liabilities in the company's financial statements in the period in which the dividends are approved.

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 and RCF covenant compliance

As discussed in note 4 and in the Directors' Report to these financial statements, in light of the ongoing issues caused by the outbreak of COVID-19, management have had to carefully consider the potential impact of the crisis on the going concern consideration. In order to support the preparation of the financial statements on a going concern basis, the Group has prepared a number of financial projections, including cash flow modelling, which assess on a broadly conservative basis the currently foreseeable range of impacts on the Group's financial performance in 2020, through the end of the going concern period ending 12 months from approval of these financial statements, and through the balance of 2021. The outputs from scenario modelling have then been used to assess liquidity requirements and availability.

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

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

6 Judgements and key sources of estimation uncertainty (continued)

In addition, the forecasts have been used to assess the Group's 2020 compliance with the leverage covenant required to be tested under its RCF, of which the company is a obligor. As discussed in note 4 and in the Directors' Report, it is the Group's expectation that the leverage covenant will be breached and therefore, the Group has approached the lenders of the facility for a temporary covenant waiver.

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

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 judgment 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.

7 Interest payable and receivable

	2019 $ 000	2018 $ 000
Interest receivable and similar income		
Interest income from other Formula 1 companies	263,698	263,040
Dividend income	-	161,562
Total interest receivable and similar income	263,698	424,602
Interest payable and similar charges		
Interest on loans to other Liberty companies	(85,316)	(79,101)
Non-cash payment in kind interest on loans from other Formula 1 companies	(145,871)	(135,565)
Total interest payable and similar charges	(231,187)	(214,666)

Dividend income

No dividends were received during 2019. In 2018 the company received dividends in the form of a distribution in specie of $161.6m of intra-group receivables from its subsidiary Alpha Prema.

8 Staff costs

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

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 fellow Group companies, which were incurred on their behalf.

9 Auditor's remuneration

No audit fee was incurred by the company during the year (2018-$Nil). Fees of $6,651 (2018- $6,665) in relation to the audit of the company's financial statements have been borne by FOM, a fellow Formula 1 subsidiary (see note 11).

10 Taxation

Tax (credited) in the Profit and Loss account:

	2019 $ 000	2018 $ 000
Current taxation		
Payment to fellow Formula 1 subsidiaries for group taxation relief	8,323	10,700
Group relief adjustment to prior periods	48	(20,732)
	8,371	(10,032)
Deferred taxation		
Adjustments in respect of prior periods	-	4,441
Tax charged/(credited) in the Profit and Loss account	8,371	(5,591)

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% (2018-19%) to the result before tax for the period. The differences are reconciled below:

	2019 $ 000	2018 $ 000
Profit before tax	32,443	209,895
Corporation tax at standard rate	6,164	39,880
Expenses not deductible for tax purposes	643	-
Non-taxable dividend income	-	(30,697)
Transfer pricing adjustments	1,516	1,517
Adjustments in respect of prior periods - current tax	48	(20,732)
Adjustments in respect of prior periods - deferred tax	-	4,442
Total tax charge/(credit)	8,371	(5,590)

Deferred tax assets and liabilities

	2019 Asset $ 000	2018 Asset $ 000
Tax losses carried forward	203,304	203,304
	203,304	203,304

10 Taxation (continued)

Deferred tax movement during the year

	Tax losses carried forward $ 000	Net tax assets/ (liabilities) $ 000
At 1 January 2018	207,745	207,745
Recognised in income	(4,441)	(4,441)
At 31 December 2018	203,304	203,304
At 31 December 2019	203,304	203,304

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

Deferred tax has not been recognised in respect of $303.5m (2018-$294.3m) of surplus interest expense which is not deductible in the period but which may be carried forward to later periods. Since, based on current forecasts, it is not expected that these interest expenses will be able to be set against suitable taxable profits in the future, no deferred tax asset has been recognised.

As at the Balance Sheet date, as legislation was in place under the Finance Act 2016 to enact a scheduled reduction in the rate of UK corporation tax from 19% to 17% from 1 April 2020, deferred tax balances in the year were recognised at 17% (2018-17%). However, the UK Government has announced that it will cancel the reduction in the rate of corporation tax prior to its planned introduction on 1 April 2020, so, for indicative purposes, and assuming the rate remains at 19% thereafter, such legislation would result in the company's deferred tax asset increasing by $23.9m with a corresponding $23.9m credited to the Profit and Loss account.

11 Investments in subsidiaries

Subsidiaries	$ 000
Cost or valuation	
At 1 January 2019	5,079,891
At 31 December 2019	5,079,891
Carrying amount	
At 31 December 2019	5,079,891
At 31 December 2018	5,079,891

The cost of investment of represents the cost of investment in the company's wholly owned subsidiary Alpha Prema.

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):

11 Investments in subsidiaries (continued)

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings				
Allsport Management S.A.*	Switzerland	Ordinary shares	100%	Non-trading
Alpha Prema UK Limited	England and Wales	Ordinary shares	100%	Intermediate holding company
Beta Holdings Limited*	England and Wales	Ordinary shares	100%	Intermediate holding company
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
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
SLEC Holdings Limited*	Jersey (the Channel Islands)	Ordinary shares	100%	Intermediate holding company

Details of registered offices
Allsport - Route de l'Aeroport 10, 1215 Geneve 15, Switzerland.
FOL - Beursplein 37, 3011AA Rotterdam, The Netherlands.
SLEC - 27 Esplanade, St Helier, Jersey JE1 1SG.
The registered office of all of the other subsidiaries listed above is No.2 St. James's Market, London, UK, SW1Y 4AH.

12 Debtors due within one year

	2019 $ 000	2018 $ 000
Amounts due from other Formula 1 companies	21,509	21,578
Loans to other Formula 1 companies	3,121,740	3,011,862
Total debtors due within one year	3,143,249	3,033,440

12 Debtors due within one year (continued)

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

Loans to other Formula 1 companies consist of a loan to Alpha Prema on which interest is charged at a fixed rate of 6% and capitalised annually on 30 November each year. $109.3m (2018-$56.3m) of interest was capitalised and $62.5m (2018-$102.1m) of interest was repaid, but no capital was repaid (2018-$150.0m) during the year. The balance on the loan at 31 December 2019 was $2,988.7m (2018-$2,878.8m). A second loan to Delta Topco does not receive interest and the balance on the loan at 31 December 2019 remained unchanged at $133.0m (2018-$133.0m).

No ECL has been provided on amounts due from other Formula 1 companies because under the simplified approach for trade 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 so no impairment has been recognised.

No ECL has been provided on loans to other Formula 1 companies because the balances are at Stage 1 of IFRS 9's general approach impairment model i.e. they have not deteriorated significantly in credit quality since initial recognition. The probability of default is considered to be extremely remote as the Group has considerable financial resources. Therefore the ECL in the next 12 months is deemed to be immaterial and so no impairment has been recognised.

13 Debtors due after more than one year: Amounts owed by group undertakings

	2019 $ 000	2018 $ 000
Loans to other Formula 1 companies	1,539,747	1,526,275

Loans to other Formula 1 companies comprise a loan to Alpha Prema which accrues interest at a rate of 6.0%. At 31 December 2019 the balance on the loan was $1,539.7m (2018-$1,526.3m). $91.3m of interest was capitalised (2018-$31.3m) and no interest was repaid during the year (2018-$54.3m). Loan capital of $77.8m was also repaid (2018- $72.3m) and accrued interest at the end of the year was $7.9m (2018-$7.9m).

No ECL has been provided on loans to other Formula 1 companies because the balances are at Stage 1 of IFRS 9's general approach impairment model i.e. they have not deteriorated significantly in credit quality since initial recognition. The probability of default is considered to be extremely remote as the Group has considerable financial resources. Therefore the ECL in the next 12 months is deemed to be immaterial and so no impairment has been recognised.

14 Creditors: Amounts falling due within one year

	2019 $ 000	2018 $ 000
Amounts due to other Formula 1 companies	19,071	10,701

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

15 Creditors: Amounts falling due after more than one year

	Note	2019 $ 000	2018 $ 000
Loans and borrowings	16	4,084,680	3,989,364

16 Loans and borrowings

	2019 $ 000	2018 $ 000
Non-current loans and borrowings		
Loans from other Liberty companies	1,171,091	1,085,774
PIK loans from other Formula 1 companies	2,913,589	2,903,590
	4,084,680	3,989,364

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

	2019 $ 000	2018 $ 000
Loans repayable other than by instalments	4,084,680	3,989,364

Non-current loans and borrowings

Loans from other Liberty companies

Loans from other Liberty companies totalling $1,171.1m (2018-$1,085.8m) represent a loan note of $1,000.0m with capitalised and accrued interest which is repayable on 25 March 2035 to Liberty Finco, an intermediate parent undertaking. $84.8m of interest was capitalised during the year (2018-$78.6m) and accrued interest at the end of the year was $7.8m (2018-$7.2m). The loan note is listed on The International Stock Exchange and interest is charged at a rate of 7.75% per annum.

PIK loan notes

On 24 November 2006, in consideration for the acquisition of 90% of the share capital of Alpha D2 Limited from the company's then immediate parent company Alpha D1 S.à r.l., the company issued $2,801.7m of Payment In Kind ("PIK") loan notes to its parent. On 29 November 2006 Alpha D1 S.à r.l. transferred ownership of the notes to its immediate parent company Delta 2. On 1 March 2008, in consideration for the acquisition of the final 10% share capital of Alpha D2 Limited from Alpha D1 S.à r.l., the company issued a further $311.3m of PIK loan notes to its parent. Alpha D1 S.à r.l. immediately transferred ownership of the notes to its own immediate parent Delta 2.

On 27 April 2012, the company reorganised the PIK loan note structure. This saw a loan balance of $1,345.3m due from Delta 2 to Alpha D2 Limited being reassigned to the company and then being offset against the balance on the PIK notes of $6,818.7m owed by the company to Delta 2. The reorganisation also saw the company capitalise $636.7m of its PIK loan note obligations in return for the issue of 636.7m ordinary shares to Delta 2. As the final step $415.7m of the PIK loan notes were also redeemed by the issue of a new $415.7m intra-group loan with Delta 2 as detailed below, and a further $197.3m was repaid. A revised annual coupon rate of 10.03125% compounded annually and payable on 31 December each year also took effect.

Under the revised terms, to the extent that they are not otherwise redeemed or repurchased, the PIK loan notes, together with any accrued and unpaid interest, are to be redeemed on 24 November 2060. No payments may be made under the PIK loan notes for as long as any amounts are owed under the Group's bank loans unless approval is given by the senior lenders. Any redemption or repurchase of the notes prior to that date, or otherwise on a change in control of the company, requires investor consent.

16 Loans and borrowings (continued)

On 30 November 2017 Delta 2 waived amounts of $373.4m and $3,246.7m in respect of its loan receivable from the company and the interest rate was amended to represent the cost of debt that Delta 2 incurs on its external debt. Following the waiver, the remaining balance of the PIK loan notes was $3,301.9m at 31 December 2017. During 2019, $145.8m (2018-$135.6m) of interest accrued on the loan, with capital repayments of $Nil (2018-$400.0m) and interest repaid of $135.8m (2018-$133.9m), resulting in an outstanding loan balance of $2,913.6m at 31 December 2019 (2018-$2,903.6m).

The effective interest rate charge on the loan during 2019 was 5.6114% (2018-4.3600%).

Taking into account accrued PIK interest, as at 31 December 2019 a balance of $2,913.6m was outstanding on the PIK loan notes (2018-$2,903.6m).

The balance on the PIK loan notes is detailed in the table below.

	2019 $ 000	2018 $ 000
PIK loan notes in issue	2,903,591	3,301,947
Accrued PIK interest	145,814	135,565
PIK notes repaid	-	(400,000)
Interest repaid	(135,816)	(133,921)
	2,913,589	2,903,591

17 Share capital

Allotted, called up and fully paid shares

	2019 No. 000	2019 $ 000	2018 No. 000	2018 $ 000
Ordinary shares of $1 each	133,025	133,025	133,025	133,025

18 Dividends

	31 December 2019 $ 000	31 December 2018 $ 000
Dividends paid	4,477	11,787

On 9 December 2019 the company declared and paid a cash dividend of $4.5m to its parent Delta 2. During 2018 the company paid a dividend of $11.8m in the form of a distribution in specie of intra-group receivables to Delta 2.

19 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).

20 Related party transactions

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

21 Parent and ultimate parent undertaking

The company's immediate parent undertaking is Delta 2, a company incorporated in Luxembourg 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.

22 Non adjusting events after the financial period

COVID-19

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