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Racing UK Limited

Directors' report and consolidated financial statements

Year ended 31 December 2008.

Registered no. 04809913

29-01-10-214

Racing UK Limited

Report of the Directors for the year ended 31 December 2008

The directors present their report with the financial statements of Racing UK Limited ("the Group") for the year ended 31 December 2008

Principal activities, review of business and future developments

The Group's principal activity is the management and exploitation of a range of media rights on behalf of its 30 British racecourse licensors. These rights are primarily exploited via the following channels

- Pay TV bundled with Setanta
- Racing International channel in partnership with Phumelela Gold Enterprises
- Videostreaming via RacingUK.com and Bet2View licences with leading bookmakers
- Domestic terrestrial rights licensed to Channel 4
- International terrestrial rights licensed to BBC Worldwide

In addition to this the Group provides a range of services to Amalgamated Racing Limited, operators of Turf TV, a channel that broadcasts racing from member racecourses exclusively to Licensed Betting Offices in the UK and Republic of Ireland. Amalgamated Racing Limited is a joint venture formed by the shareholders of Racing UK, Ascot Racecourse Limited and Alphameric plc the London-listed supplier of technology services to the bookmaking industry

On 1 July 2008 the Group acquired the 40% of Racing UK Online Limited (previously The Betting Site Limited) not owned by the Group from Centurycomm Limited, publishers of Racing Post

The Group continued to improve its performance with turnover growing by 42% in the year. The directors' confidence in the business and the level of financial stability achieved by the business has enabled the business to continue to implement a policy of paying 100% of profits to licensors reflecting the commercial substance of the position that Racing UK is a media rights vehicle which channels earnings from the exploitation of such rights to its licensors. These payments are detailed in note 18 to the accounts

The Group's balance sheet discloses a deficit on shareholder's funds amounting to £911,000, as shown on page 7. This is in line with the directors' expectations

As a result of the Group's strong performance during the year the outstanding balance of £300,000 of the initial funding loans was repaid. These payments are detailed in note 18 to the accounts

The board has prepared further financial forecasts for the current and subsequent trading periods, which indicate that the Group will have sufficient resources to continue in operational existence for the foreseeable future and enable it to meet its liabilities as they fall due

The Group's operational performance in the current financial year is in conformity with these forecasts and, based upon all the evidence available to the board, the directors consider it appropriate to prepare the financial statements on the going concern basis

The Group continues to engage in future development activity which includes the "Sovereign Series", the objective of which is to create a sporting and media platform to showcase elite UK horseracing

Results and dividends

The detailed results for the year and proposed transfer to reserves of the retained loss of £47,000 are set out in the consolidated profit and loss account on page 6

The directors do not recommend the payment of a dividend (2007 £nil)

Strategy

The Group's principal objective is to maximise the value of licence fees payable to its licensor racecourses and to deliver sustainable levels of growth in the value of those licence fees

Racing UK Limited

Report of the Directors for the year ended 31 December 2008

This is achieved through exploiting the content via onward licence arrangements with broadcasters and distributors

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group are as follows

Media rights licences

The business relies on media rights licences granted by its licensor racecourses. The extension in 2009 of these licences provides a significant level of confidence that the business will be able to continue to operate for the foreseeable future.

Economic environment

As a discretionary purchase, Pay TV subscriptions could be potentially exposed to a reduction in consumer demand as a result of the economic recession. However, the directors believe that the quality of content and the strength of home entertainment products in the current recession helps mitigate this risk.

Reliance on key distributors

The business distributes content via a number of key contracts including with Setanta and Phumelela Gold Enterprises. The directors believe that in the event of failure of either one of these businesses that viable alternative arrangements could be put into place quickly and effectively.

Currency fluctuation

The business is exposed to the effects of currency fluctuation through its contract with Phumelela Gold Enterprises. The directors consider the level of this exposure adequately manageable within the scale of the overall business.

The Group's ability to adjust ongoing licence fee payments to racecourses substantially mitigates the impact of these risks and uncertainties.

Financial risk management objectives and policies

Details of the Company's financial risk management objectives and policies are set out in note 23 to the financial statements.

Key Performance Indicators ("KPIs")

The Group has made good progress during the year. The monitoring process is through KPIs which are shown below.

KPI	2008	2007	Definition, calculation and analysis
Growth in turnover (%)	42%	13%	Year on year sales growth expressed as a percentage. Sales improvements reflect stronger performance across the range of business units.
Average number of employees	15	13	The average number of employees in employment with the Group.

Racing UK Limited

Report of the Directors for the year ended 31 December 2008

Directors

The directors shown below have held office during the whole of the period from 1 January 2008 to the date of this report

S L Bazalgette
W G Farnsworth
S Hordern
J F Sanderson
A W Wyatt

Other changes in directors holding office are as follows

R J N Fitzgerald (appointed 8 September 2008)
A D Brown – resigned 12 November 2008
A N M Gould – resigned 8 September 2008

Charitable and political donations

During the financial year the company made donations to charitable organisations amounting to £200
No payments were made for political purposes

Statement of directors' responsibilities

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 estimates that are reasonable and prudent, and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Racing UK Limited

Report of the Directors for the year ended 31 December 2008

Auditors

James Cowper resigned as auditor during the year and Baker Tilly UK Audit LLP was appointed as auditor. Baker Tilly UK Audit LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium sized companies.

ON BEHALF OF THE BOARD.



R J N FitzGerald – Director

Date 22.6.09.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RACING UK LIMITED

We have audited the financial statements on pages 6 to 22

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 31 December 2008 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
Hanover House
18 Mount Ephraim Road
Tunbridge Wells
Kent
TN1 1ED

Baker Tilly UK Audit LLP

29 June 2009

Racing UK Limited

Group profit and loss account for the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £'000	Restated* Year ended 31 December 2007 £'000
Turnover			
<i>Continuing operations</i>			
Group		20,085	14,233
Share of joint venture	5	788	1,347
<i>Acquisitions</i>	22	1,217	-
	2	<u>22,090</u>	<u>15,580</u>
Operating expenses			
<i>Continuing operations</i>			
Group		(20,937)	(14,181)
Share of joint venture		(814)	(1,315)
<i>Acquisitions</i>	22	(362)	-
		<u>(22,113)</u>	<u>(15,496)</u>
Operating profit			
<i>Continuing operations</i>			
Group	3	(852)	52
Share of joint venture	5	(26)	32
<i>Acquisitions</i>	22	855	-
		<u>(23)</u>	<u>84</u>
Net interest receivable (payable)			
<i>Continuing operations</i>			
Group		1	(44)
Share of joint venture	5	8	8
<i>Acquisitions</i>		6	-
	6	<u>15</u>	<u>(36)</u>
(Loss)/profit on ordinary activities before taxation		<u>(8)</u>	<u>48</u>
Tax on (loss)/profit on ordinary activities	7	(39)	30
Retained (loss)/profit transferred to reserves		<u>(47)</u>	<u>78</u>

* Revenue and costs have been restated to ensure consistency as explained in note 8 to the financial statements

As permitted under Section 230 of the Companies Act 1985, the profit and loss account of the Company is not published as part of these financial statements. The profit for the year of the Company is shown in note 19 to the financial statements.


There were no recognised gains or losses other than the loss for the financial period.

Racing UK Limited

Group balance sheet as at 31 December 2008

	Notes	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Fixed assets			
Tangible assets	9	321	257
Investments	5 & 11	-	10
Total fixed assets		321	267
Current assets			
Debtors	12	4,371	3,840
Cash at bank	21	2,461	777
		6,832	4,617
Creditors amounts falling due within one year	13	(8,064)	(5,748)
Net current liabilities		(1,232)	(1,131)
Total assets less current liabilities		(911)	(864)
Capital and reserves			
Called up equity share capital	15	-	-
Profit and loss account	16	(911)	(864)
Equity shareholders' funds	19	(911)	(864)

The financial statements on pages 6 to 22 were approved and authorised for issue by the board of directors on 22.6.09 and signed on its behalf by


R J N FitzGerald
Director

Racing UK Limited

Company balance sheet as at 31 December 2008

	Notes	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Fixed assets			
Tangible assets	10	271	257
Investments	11	-	-
Total fixed assets		271	257
Current assets			
Debtors	12	4,554	3,840
Cash at bank		1,979	777
		6,533	4,617
Creditors amounts falling due within one year	13	(7,709)	(5,748)
Net current liabilities		(1,176)	(1,131)
Total assets less current liabilities		(905)	(874)
Capital and reserves			
Called up equity share capital	15	-	-
Profit and loss account	16	(905)	(874)
Equity shareholders' funds	19	(905)	(874)

The financial statements on pages 6 to 22 were approved and authorised for issue by the board of directors on 22.6.09 and signed on its behalf by


R. J. N. FitzGerald
Director

Racing UK Limited

Group cash flow statement for the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Net cash inflows from operating activities	20	1,191	897
Returns on Investments and and servicing of finance	20	(31)	(44)
Taxation	20	(31)	(3)
Capital Expenditure	20	(129)	(252)
Cash on acquisition of subsidiary		346	-
Net cash inflow before financing		1,346	598
Financing		338	(450)
Increase in cash in the period		1,684	148

Reconciliation of net cash flow to movement in net funds

Net funds at 1 January		777	629
Increase in cash flow		1,346	598
Increase/(decrease) in borrowings		338	(450)
Net funds at 31 December	21	2,461	777

Racing UK Limited

Notes to the financial statements for the year ended 31 December 2008

1. Accounting policies

a) Basis of preparation

The financial statements have been prepared under the historical cost convention

b) Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings. The acquisition method of accounting has been adopted. Under this method the results of the subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Under section 230 of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

c) Turnover

Turnover, which excludes value added tax, represents the income received in respect of the principal activities of marketing and managing the media rights for the 30 racecourses that have assigned their rights to the Company.

d) Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Computer equipment	- 33% straight line
Office equipment	- 10%-33% straight line

e) Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

f) Pension scheme arrangements

The Group operates a contributory defined contribution pension scheme. Payments are made to the fund and charged in the financial statements as part of employment costs as incurred.

g) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the end of the financial year. Transactions in denominated currencies are translated into sterling at the exchange rate ruling on the date payment takes place or contractually specified as applicable. Any resultant foreign exchange differences are taken to the profit and loss account in the period in which they arise.

h) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

i) Going concern

The Group made a profit before licence fees of £4.1m in the year ended 31 December 2008 however as shown on page 7, the balance sheet discloses a deficit on shareholder's funds amounted to £911,000. This is in line with directors' expectations.

Racing UK Limited

Notes to the financial statements for the year ended 31 December 2008

1. Accounting policies (cont)

The board has prepared further financial forecasts for the current and subsequent trading periods which indicate that the Group will have sufficient resources to continue in operational existence for the foreseeable future and enable it to meet its liabilities as they fall due

The Group's operational performance in the current financial year is in conformity with these forecasts and, based upon all the evidence available to the board, the directors consider it appropriate to prepare the financial statements on the going concern basis

2. Segmental analysis

Turnover is attributable to the principal activities of the Group and is derived from the following geographical locations

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
UK and Ireland	16,043	11,157
Rest of World	6,047	4,423
	<u>22,090</u>	<u>15,580</u>

Turnover derived in the United Kingdom and Republic of Ireland is primarily from the exploitation of horseracing content via contracts with satellite broadcasters, direct subscriptions and internet video-streaming

Turnover derived in the Rest of the World is from licence agreements for the distribution of horseracing content

3. Operating profit

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Operating profit is stated after charging		
Depreciation of tangible fixed assets	65	48
Operating lease rentals in respect of land & buildings	212	212
Services provided by the company's auditors		
Fees for the audit of the parent company and group accounts	35	20
Fees for tax services	5	6

4. Employees and directors

The average number of employees of the Group, including executive directors, during the year was 15 (2007 13)

Racing UK Limited

Notes to the financial statements for the year ended 31 December 2008

4. Employees and directors (cont)

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Employment costs were		
Wages and salaries	1,435	1,311
Social security costs	149	146
Pension costs	109	55
	<u>1,693</u>	<u>1,512</u>
Directors' emoluments (excluding pension contributions)	641	598
Emoluments (excluding pension fund contributions) of the highest paid director	311	312

The Group made contributions to a defined contribution pension scheme for two directors during the year. The Group made contributions to a defined contribution pension scheme totalling £24,000 (2007: £13,000) for the highest paid director.

The Group made a compensation payment in respect of loss of office in the year of £160,000 (2007: £nil).

No share options have been granted to or exercised by any of the directors. During the year no director has an interest in the shares of the company.

5. Joint Ventures

Included in the results of the Group are a share of the net profit of Racing UK Online Limited (previously The Betting Site Limited) which until 1 July 2008 was a 60% owned joint venture with Centurymm Limited, publisher of Racing Post. The company was established with Racing Post to exploit online and mobile rights in the UK and Ireland through TheBettingSite.co.uk.

On 1 July 2008 Racing UK Limited acquired the remaining 40% of Racing UK Online Limited.

For the period to 30 June 2008 the results of Racing UK Online Limited have been consolidated as a joint venture and thereafter as a subsidiary.

Racing UK Online Limited joint venture	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Share of:		
Turnover	788	1,347
Profit before tax	(17)	40
Tax	5	(6)
Profit after tax	<u>(12)</u>	<u>34</u>
Fixed assets	-	-
Current assets	-	697
Liabilities due within one year	-	(686)
Liabilities due after more than one year	-	-
Balance owed	-	348

Racing UK Limited

Notes to the financial statements for the year ended 31 December 2008

6. Interest

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Bank interest receivable	56	23
Loan interest	(41)	(59)
Net interest receivable	15	(36)

7 Taxation

Analysis of the tax charge/(credit)	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Current Tax		
UK corporation tax	9	8
Share of joint venture	-	2
Deferred tax		
Origination and reversal of timing differences	33	(44)
Effect of increased tax rate on opening liability	2	-
Share of joint venture	(5)	4
Tax on profit on ordinary activities	39	(30)

The Group's effective tax rate reconciliation is as follows

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Profit on ordinary activities before tax	(8)	48
Profit on ordinary activities multiplied by the statutory rate of corporation tax in the UK of 21% (2007 19.75%)	-	10
Effects of		
Expenses not deductible for tax purposes	30	24
Non taxable income	-	-
Capital allowances for period in excess of depreciation	(4)	(13)
General provision	(5)	6
Bfwd tax losses utilised	(15)	(15)
Marginal rate relief	-	-
Chargeable gain	-	5
Joint venture	3	(7)
Current tax charge for period	9	10

Raping UK Limited

Notes to the financial statements for the year ended 31 December 2008

8. Comparative figures

The comparative figures for the Group's revenues and operating expenses have been restated to recognise revenue and costs on certain contracts on a gross basis. Previously revenue was recorded on a net basis on these contracts. The effect is as follows:

	As previously reported £'000	Transfer £'000	2007 As restated £'000
Revenues	13,329	2251	15,580
Operating expenses	(13,245)	-2251	(15,496)
Operating profit	<u>84</u>	<u>-</u>	<u>84</u>

9. Tangible fixed assets – Group

	Computer equipment £'000	Office equipment £'000	Totals £'000
Cost			
At 1 January 2008	165	191	356
Additions	105	24	129
Disposals	(1)	-	(1)
At 31 December 2008	<u>269</u>	<u>215</u>	<u>484</u>
Depreciation			
At 1 January 2008	92	7	99
Charge for year	45	20	65
Eliminated on disposal	(1)	-	(1)
At 31 December 2008	<u>136</u>	<u>27</u>	<u>163</u>
Net book value			
At 31 December 2008	<u>133</u>	<u>188</u>	<u>321</u>
At 31 December 2007	<u>73</u>	<u>184</u>	<u>257</u>

Racing UK Limited

Notes to the financial statements for the year ended 31 December 2008

10 Tangible fixed assets - Company

	Computer equipment £'000	Office equipment £'000	Totals £'000
Cost			
At 1 January 2008	165	191	356
Additions	51	24	75
Disposals	(1)	-	(1)
At 31 December 2008	215	215	430
Depreciation			
At 1 January 2008	92	7	99
Charge for year	41	20	61
Eliminated on disposal	(1)	-	(1)
At 31 December 2008	132	27	159
Net book value			
At 31 December 2008	83	188	271
At 31 December 2007	73	184	257

11 Investment in subsidiaries, joint ventures and own shares

Name	Country of Incorporation	31 December 2008 Ownership	31 December 2008 £'000	31 December 2007 Ownership	31 December 2007 £'000
Racing UK Online Limited**	UK	100%	-	60%	-
The Racing Corporation Limited*	UK	100%	-	-	-
Total cost of investment			-		-

*Dormant The Racing Corporation Ltd was incorporated on 13 March 2008

** The Company acquired the remaining 40% of Racing UK Online Limited (previously known as The Betting Site Limited) on 1 July 2008. The investment in Racing UK Online Limited was consolidated as a joint venture in 2007

12. Debtors

	31 December 2008 Group £'000	31 December 2008 Company £'000	31 December 2007 Group £'000	31 December 2007 Company £'000
Trade debtors	2,747	2,555	1,812	1,812
Amounts owed by group undertakings	-	515	-	-
Other Debtors	438	352	582	582
Deferred tax asset	17	9	44	44
Prepayments and accrued income	1,169	1,123	1,302	1,302
	4,371	4,554	3,740	3,740
Amounts falling due after more than one year				
Long term loan	-	-	100	100
Aggregate amounts	4,371	4,554	3,840	3,840

Racing UK Limited

Notes to the financial statements for the year ended 31 December 2008

13 Creditors' amount falling due in less than one year

	31 December 2008 Group £'000	31 December 2008 Company £'000	31 December 2007 Group £'000	31 December 2007 Company £'000
Trade Creditors	543	543	984	984
Other Creditors	811	668	300	300
UK corporation tax	9	9	8	8
Other taxation and social security	80	80	123	123
Accruals and deferred income	6,621	6,409	4,333	4,333
	<u>8,064</u>	<u>7,709</u>	<u>5,748</u>	<u>5,748</u>

On 11 November 2008 the company granted first mortgage debentures over the assets of Racing UK Limited and Racing UK Online Limited to AIB Group (UK) plc in respect of overdraft facilities

14. Deferred tax

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Provision for deferred tax has been made as follows		
Accelerated capital allowances	25	29
Tax loss carried forward	(18)	(45)
Share of joint venture	(5)	-
Acquisition	(3)	-
Other timing differences	(16)	(28)
Undiscounted provision for deferred tax	<u>(17)</u>	<u>(44)</u>
Discount	-	-
Discounted provision for deferred tax	<u>(17)</u>	<u>(44)</u>

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Provision / (asset) at start of period	(44)	4
Deferred tax charge (credit) in profit and loss account	35	(44)
Share of joint venture deferred tax charge (credit) in profit and loss account	(5)	(4)
Acquisition	(3)	-
Provision / (asset) at end of period	<u>(17)</u>	<u>(44)</u>

15. Share capital

	Authorised		Allotted, called up and fully paid	
Ordinary shares of £1	Number of shares	£	Number of shares	£
As at 1 January 2008	1000	1000	2	2
As at 31 December 2008	1000	1000	2	2

Racing UK Limited

Notes to the financial statements for the year ended 31 December 2008

16. Reserves

	Group Profit and loss account £'000	Company Profit and loss account £'000
As at 1 January 2008	(864)	(874)
Retained profit for the year	(47)	(31)
As at 31 December 2008	(911)	(905)

17 Financial commitments

The Group has annual commitments under non-cancellable operating leases expiring as follows

	31 December 2008 Land and buildings £'000	31 December 2007 Land and buildings £'000
Within one year	-	-
Within 2 to 5 years	-	-
After five years	212	212

18 Related party transactions

In accordance with the provisions of Financial Reporting Standard number 8, "Related Party Disclosures", the following transactions, being material to either party are required to be disclosed

Member racecourses / racecourse groups

The racecourse operators below are members of the company and licensed certain of their media rights to Racing UK Limited

The Western Meeting Club Limited (Ayr racecourse)
The Catterick Racecourse Company Limited
Goodwood Racecourse Limited
Musselburgh Joint Racing Committee
The Ludlow Race Club Limited
The Beverley Race Company Limited
Newbury Racecourse Plc
The Pontefract Park Race Company Limited
Redcar Racecourse Limited
Thirsk Racecourse Limited
York Racecourse Knavesmire LLP
The Chester Race Company Limited
Bangor-on-Dee Races Limited
The Hamilton Park Racecourse Limited
The Bibury Club Limited (Salisbury racecourse)
Cartmel Steeplechases (Holker) Limited
Racecourse Investments Ltd*
Wetherby Steeplechase Committee Limited

Racing UK Limited

Notes to the financial statements for the year ended 31 December 2008

18. Related party transactions (cont)

*Owner of 13 courses (Aintree, Carlisle, Cheltenham, Epsom Downs, Haydock, Huntingdon, Kempton, Market Rasen, Newmarket, Nottingham, Sandown, Warwick and Wincanton)

Initial funding

To enable Racing UK Limited to become established, the racecourses and racecourse groups listed above have made loans to fund initial and subsequent working capital requirements. The final tranche of these loans was repaid during the year.

At the beginning of the financial year each member racecourse was owed £10,000 which was repaid during 2008. During the year loan interest of £21,000 accrued on the initial loan funding and this was paid during the year.

Licence fee payments and loans

During the year Racing UK Limited incurred licence fees from its member racecourses for a range of rights including terrestrial, pay TV, international, internet and mobile together with other services. The total value of these licence fees and services was £4,130,000 (including £2,416,000 to Racecourse Investments Limited) of which £3,760,000 (including £2,046,000 to Racecourse Investments Limited) was outstanding at 31 December 2008.

Licence fees of £638,000 (including £334,000 to Racecourse Investments Ltd) relating to 2007 were outstanding at 31 December 2008. These licence fees were converted to interest bearing loans during the year. During the year loan interest accrued on these amounts of £20,000 (including £10,000 to Racecourse Investments Ltd) all of which was outstanding at 31 December 2008.

Amalgamated Racing Limited

Amalgamated Racing Limited operates Turf TV and is a joint venture between Racecourse Media Services Limited and Alphameric plc. Racecourse Media Services Limited is a joint venture formed by the shareholders of Racing UK and Ascot Racecourse Limited. During the year ended 31 December 2008, Racing UK Limited provided services to Amalgamated Racing Limited of £4,376,000 (2007 £1,735,000) and the balance outstanding at the year end was £805,000 (2007 £960,000).

During the year ended 31 December 2007 Racecourse Media Services Limited received a loan of £100,000 from Racing UK Limited. The balance due to Racing UK at 31 December 2008 was £100,000.

19. Reconciliation of movement in shareholders funds

	Group		Company	
	31 December 2008 £'000	31 December 2007 £'000	31 December 2008 £'000	31 December 2007 £'000
Opening shareholders funds	(864)	(942)	(874)	(918)
Retained (loss)/profit for the year	(47)	78	(31)	44
Closing shareholder funds	(911)	(864)	(905)	(874)

Racing UK Limited

Notes to the financial statements for the year ended 31 December 2008

20. Reconciliation of operating profit to net cash inflow from operating activities

	31 December 2008 £'000	31 December 2007 £'000
Group operating Profit	(23)	84
Share of operating loss/(profit) of joint venture	26	(32)
Depreciation	65	48
Decrease (Increase) in debtors	263	(1,256)
increase / (decrease) in creditors	860	2,053
Net cash inflow from operating activities	1,191	897

Analysis of cash flows for headings netted in the cash flow statement

Return on investments and servicing of finance

Interest received	48	15
Interest paid	(79)	(59)
Net cash inflow/(outflow) for returns on investments and servicing of finance	(31)	(44)

Taxation

UK Corporation tax paid	(31)	(3)
Net cash inflow/(outflow) for taxation	(31)	(3)

Capital expenditure

Purchase of tangible fixed assets	(130)	(254)
Sale of tangible fixed assets	1	2
Net cash outflow for capital expenditure	(129)	(252)

Acquisitions and disposals

Cash on acquisition	346	-
Net cash inflow from acquisitions	346	-

Financing

Loans from (repayments) shareholders	338	(450)
Net cash inflow from financing	338	(450)

21. Reconciliation of movement in net funds

	1 January 2008 £'000	Cash flow £'000	31 December 2008 £'000
Net cash			
Cash at bank	777	1,684	2,461
Total	777	1,684	2,461

Notes to the financial statements for the year ended 31 December 2008

22. Purchase of subsidiary undertaking

	£'000
Net Assets acquired	
Trade debtors	821
Deferred taxation	8
Cash at bank and in hand	346
Trade creditors	(1,178)
Total net assets	(3)
Goodwill - written off on acquisition	1
	(2)
Satisfied by	
Existing 60% share of joint ventures results	(2)
	(2)

Included in the results of the Group are the results of Racing UK Online Limited (previously The Betting Site Limited) from 1 July 2008. Racing UK Online Limited was previously a 60% owned joint venture with Centurycomm Limited, publisher of Racing Post. The company was established with Racing Post to exploit online and mobile rights in the UK and Ireland through TheBettingSite.co.uk

On 1 July 2008 Racing UK Limited acquired for a nominal sum the remaining 40% of Racing UK Online Limited. The value of the assets and liabilities is shown above.

The subsidiary undertakings acquired during the year contributed £207,000 to the group's net operating cash flows, received £6,000 in respect of net returns on investments and servicing of finance, paid £23,000 in respect of taxation and invested £54,000 in fixed assets.

23 Financial Instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in note 1 of these financial statements.

(a) Categories of financial instruments

Financial assets

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Loans and receivables		
Trade receivables	2,747	1,812
Loan to related party	100	100
Other debtors	338	582
	3,185	2,494
Non financial assets		
Prepayments and accrued income	1,169	1,302
Other non financial assets	338	311
	1,507	1,613
Total	4,692	4,107

Notes to the financial statements for the year ended 31 December 2008

23. Financial instruments (cont)

Financial liabilities

	Year ended 31 December 2008	Year ended 31 December 2007
Trade payables	543	984
Other creditors	173	-
Corporation tax payable	9	8
Accruals and deferred income	6,621	4,333
Other taxation and social security	80	123
Loans from related parties	638	300
Total	8,064	5,748
Non financial liabilities		
Other non financial liabilities	-	-
Total	8,064	5,748

(b) Financial risk management objectives

The Company's activities involve analysis, acceptance and management of some degree of risk or combination of risks. The most important types of financial statement risk are credit risk and liquidity risk.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risks and limits continually by means of reliable up-to-date systems. The Company modifies and enhances its risk management policies and systems to reflect changes in markets and products.

(c) Foreign currency risk

Whilst the Company's trading activities are predominantly Sterling based, a significant proportion of its revenue originates in other currencies mainly US dollar and Euro via the Company's distribution contract with Phumelela Gold Enterprises. The risk in the carrying value of foreign currency amounts is mitigated by minimising foreign currency balances and converting to Sterling at regular intervals and consequently no hedging has been deemed necessary.

(d) Finance and interest rate risk

The Group finances its operations through its cash balances, short term loans from the controlling parties and an overdraft facility. The interest on the short term loans from controlling parties was set at 2% above base. The interest on the overdraft facility is base rate plus 2 %.

No interest rate hedging agreement is currently in place given the level of borrowings. The Board does not consider fluctuations in interest rates to pose a significant risk to the Company.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(e) Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Company has dedicated standards, policies and procedures to control and monitor all such risks.

Notes to the financial statements for the year ended 31 December 2008

23. Financial instruments (cont)

Although the Company is potentially exposed to credit loss in the event of non-performance by counterparties, such credit risk is controlled through reviews of counterparties and limiting the exposure to any single counterparty

Customer debtor balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts

(f) Liquidity risk management

The Company has managed its cash in a manner designed to ensure maximum benefit is gained, whilst ensuring security of investment sources. The Company's policy on investment of surplus funds limits the placing of deposits to institutions with strong credit ratings

The Company manages liquidity risk by maintaining adequate short term borrowing facilities and by continuously monitoring forecast and actual cash flows. Included in note 23(d) is a description of the additional facilities that the Company has at its disposal

(g) Fair values

There is no material difference between the Company's financial assets and liabilities and their book value

24. Control

The immediate parent company is Racecourse Media Group Limited. Racecourse Media Group Limited administers the company in accordance with its articles of association. Therefore there is no single controlling party