RMG Operations Limited

(formerly Racing UK Limited)

Directors' report and financial statements

Year ended 31 December 2018

Registered no. 04809913

Strategic report for the year ended 31 December 2018

The directors present their strategic report with the financial statements of RMG Operations Limited ("the Company") for the year ended 31 December 2018.

Principal activities, review of business and future developments

The Company's principal activity is the management and exploitation of a range of media rights on behalf of its 37 British racecourse licensors. These rights are primarily exploited via the following channels:

- Pay TV for residential and commercial premises
- International channel to wagering outlets
- Video streaming via RacingTV.com and Bet2View licences with leading bookmakers
- Domestic terrestrial rights
- International terrestrial rights

In addition to this the Company provides a range of production and related services including to Racecourse Retail Business Limited, a business formed by the shareholders of the Company's parent (Racecourse Media Group Limited) to license media rights for Licensed Betting Offices to Sports Information Services Limited (SIS), and until 31 March 2018 to Amalgamated Racing Limited, operators of Turf TV. The business also provides programme production for the prestigious Meydan racecourse in Dubai.

The Company continues to perform strongly with turnover of £67.6m in the year. In 2017 the Company extended the media rights granted to it for a further term through to December 2023 and which provides the directors with significant confidence in the future of the Company. Licence fees are paid to licensors in accordance with the terms of the licences. The variable nature of licence fees means that payments flex in accordance with the performance of the Company and accordingly the directors have confidence in the financial stability of the business. Licence fee payments are detailed in note 15 to the accounts.

With effect from 1 January 2019 the Company began a long term contract with SIS that sees the Company add horseracing from Ireland and Chelmsford City to its Pay TV and streaming propositions. To reflect the breadth of this new content, the Company rebranded its PayTV channel to become "RacingTV" and changed the Company name from Racing UK Limited to RMG Operations Limited in December 2018. The Company confirmed in January 2018 that it would not renew its joint venture in GBI Racing Limited on expiry of the current term in December 2018 and would instead partner with SIS to produce a new channel, RacingTVi, to address international betting markets.

ITV is the domestic terrestrial TV partner for the business. ITV has been lauded for their BAFTA winning coverage and has successfully grown the audience of ITV Racing.

Racecourse Data Company Limited (RDC), the Company's joint venture which holds the exclusive rights to license pre-raceday data for onward provision to a range of media and bookmaker clients extended its rights in 2018 for a further 12 month term. The joint venture performs an important role for the horseracing industry and continues to perform in line with expectation. In 2018, RDC paid its first dividend and reported a profit after taxation of £549,000 (2017: £610,000).

The Company's balance sheet discloses shareholders' funds amounting to £3,989,000 as shown on page 11. This is in line with the directors' expectations. The directors' ability to vary the level of licence fees and timing of payments together with the level of cash balances provide sufficient working capital for the business to finance its activities.

Strategic report for the year ended 31 December 2018 (continued)

Strategy

The Company'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.

This is achieved through exploiting the content via direct broadcast and onward licence arrangements with broadcasters and distributors. There has been no change in the strategy of the business going forward.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Company are as follows:

Media rights licences.

The business relies on media rights licences granted by its licensor racecourses and during 2017 substantially all racecourse licence agreements were extended through to 31 December 2023. This provides an appropriate 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 potentially be exposed to a reduction in consumer demand should the economic environment worsen. However, the trading history of the Racing UK channel has shown a high level of resilience and consequently the directors believe that the quality of content of the channel and the strength of the home entertainment sector in the recent years provides significant mitigation to this risk.

A consequence of the UK leaving the European Union is the risk of a negative impact on the economy. The directors have not undertaken a detailed review of this but it is believed that the business has sufficient headroom to deal with all reasonable scenarios.

Reliance on key distributors

The business' exposure to key distributors is limited as a result of directly retailing the residential channel and distributing content internationally via a joint venture (GBI Racing Limited) with Attheraces Holdings Limited. The company has not renewed its joint venture with GBI Racing Limited and would instead contract directly with international clients.

Currency fluctuation

The business is exposed to the effects of currency fluctuation through its international activities. The directors consider the level of this exposure adequately manageable within the scale of the overall business. The Company utilises forward contracts and options in the key currencies it is exposed to for this purpose.

The Company's ability to adjust ongoing licence fee payments to racecourses together with both the Company's and GBI Racing Limited's policy of currency hedging 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 19 to the financial statements.

Strategic report for the year ended 31 December 2018 (continued)

Key Performance Indicators ("KPIs")

The Company has made good progress during the year. The Company uses turnover and licence fees as performance indicators. Turnover was £67,623,000 (2017: £66,345,000). Licence fees are shown within note 3.

M J Stevenson
Director

Date: 27 March 2019

Report of the Directors for the year ended 31 December 2018

The directors present their report with the financial statements of RMG Operations Limited ("the Company") for the year ended 31 December 2018. Information regarding strategy, principal risks and uncertainties, and key performance indicators is not shown in the Directors' report because it is shown in the Strategic report in accordance with the Companies Act 2006 s414 (11).

Results and dividends

The detailed results for the year and transfer to reserves of the retained profit of £1,757,000 (2017: £1,073,000) are set out in the Statement of Comprehensive Income and Retained Earnings on page 10.

The directors do not recommend the payment of a dividend for the year. During 2018 the Company paid a dividend of £873,000 (2017: £693,000).

Directors

The directors shown below held office during the period from 1 January 2018 to the date of this report.

A S Binns
R J N FitzGerald
E P Gretton
N J Mills
M J Stevenson

Company name change

The company changed its name from Racing UK Limited to RMG Operations Limited on 14 December 2018.

Charitable and political donations

During the financial year the Company made donations to charitable organisations amounting to £3,415 (2017: £2,950). No payments were made for political purposes.

Third party indemnity provision for directors

Qualifying third party indemnity provision is in place for the benefit of the directors of the Company.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the company and group 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;
- 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 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 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.
The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors 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 are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.
To the best of my knowledge:

- the Company financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

Directors' responsibilities statement (continued)

- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

M J Stevenson
Director

Date: 27 March 2019

Independent auditor's report to the members of Racecourse Media Group Operations Limited

Opinion

We have audited the financial statements Racecourse Media Group Operations Limited (the 'Company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income and Retained Earnings, Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Racecourse Media Group Operations Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on pages 5-6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of Racecourse Media Group Operations Limited (cont.)

Use of our report
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.

Grant Thornton UK LLP

Mark Henshaw
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
30 Finsbury Square, London, EC2A 1AG

Date: 28 March 2019

Statement of Comprehensive Income for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Turnover	2	67,623	66,345
Other operating income		3,412	3,095
Operating expenses		(69,059)	(67,924)
Operating profit	3	**1,976**	**1,516**
Dividend income		265	-
Net interest and similar charges payable	5	(81)	(127)
Profit on ordinary activities before taxation		2,160	1,389
Tax on profit on ordinary activities	6	(403)	(316)
Profit for the year on ordinary activites after taxation and profit for the financial year		**1,757**	**1,073**
Movement in cash flow hedge		129	-
Total comprehensive income for the year	17	**1,886**	**1,073**

Turnover and operating profit are derived from the Company's continuing activities.

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

The notes on page 14 to 29 form part of the financial statements.

Balance Sheet as at 31 December 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	7	449	603
Tangible assets	8	585	550
Investments	9	900	308
Total fixed assets		**1,934**	**1,461**
Current assets			
Debtors			
- due within one year	10	11,448	15,089
- due after one year	10	558	1,278
Cash at bank	18	32,384	21,692
		44,390	**38,059**
Creditors: amounts falling due within one year	11	(42,335)	(36,544)
Net current assets		**2,055**	**1,515**
Total assets less current liabilities		**3,989**	**2,976**
Net assets		**3,989**	**2,976**
Capital and reserves			
Called up share capital	13	1,180	1,180
Profit and loss account		2,680	1,796
Cash flow hedge reserve		129	-
Shareholder's funds		**3,989**	**2,976**

The financial statements on pages 10 to 29 were approved and authorised for issue by the board of directors on 27 March 2019 and signed on its behalf by:

M J Stevenson
Director

Statement of Cash Flows for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Operating Activities			
Cash generated from operations	17	12,410	3,620
Net Interest		(46)	(95)
Taxation - Corporation tax paid		(319)	(263)
Net cash from operating activities		**12,045**	**3,262**
Investing Activities			
Purchase of tangible fixed assets	8	(286)	(460)
Purchase of intangible fixed assets	7	(77)	(512)
Purchase of investment		(592)	-
Dividend received		265	-
Proceeds on sale of fixed assets		-	7
Purchase of options		-	(308)
Proceeds on repayment of a loan		-	330
Net cash from investing activities		**(690)**	**(943)**
Financing Activities			
Dividend paid		(873)	(693)
Cash flow hedge		129	-
Net cash from investing activities		**(744)**	**(693)**
Net increase in cash and cash equivalents		**10,611**	**1,626**
Effects of foreign exchange gains		81	38
Cash and cash equivalents at 1 January	18	21,692	20,028
Cash and cash equivalents at end of the year		**32,384**	**21,692**

Statement of Changes in Equity for the year ended 31 December 2018

	Share capital £'000	Profit and loss account £'000	Cash flow hedge reserve £'000	Total £'000
Balance at 1 January 2017	**1,135**	**1,416**	**-**	**2,551**
Profit for the year	-	1,073	-	1,073
Dividend	-	(693)	-	(693)
Share issue	45	-	-	45
Balance at 31 December 2017	**1,180**	**1,796**	**-**	**2,976**
Profit for the year	-	1,757	-	1,757
Dividend	-	(873)	-	(873)
Cash flow hedge	-	-	129	129
Balance at 31 December 2018	**1,180**	**2,680**	**129**	**3,989**

Notes to the financial statements for the year ended 31 December 2018

RMG Operations Limited ("the Company") is a limited company domiciled and incorporated in England.

The address of the Company's registered office is 10th Floor, The Met Building, 22 Percy Street, London, W1T 2BU and principal place of business is 3rd Floor, Gillingham House, 38 - 44 Gillingham Street, London, SW1V 1HU.

The RMG Operations Limited accounts are stored at 3rd Floor, Gillingham House, 38-44 Gillingham Street, London SW1V 1HU.

The Company's principal activity is the management and exploitation of a range of media rights on behalf of its 37 British racecourse licensors. These rights are primarily exploited via the following channels:

- Pay TV for residential and commercial premises
- International channel to wagering outlets
- Video streaming via RacingTV.com and Bet2View licences with leading bookmakers
- Domestic terrestrial rights
- International terrestrial rights

In addition to this the Company provided 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 up until 31 March 2018. Amalgamated Racing Limited was a joint venture formed by the shareholders of the parent company, Racecourse Media Group Limited, and Timeweave Gaming Limited, a subsidiary of Timeweave plc.

1. Accounting policies

a) Basis of preparation

These financial statements are prepared in accordance with Financial Reporting Standard 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

The Company has not prepared group accounts as permitted by Section 401 of the Companies Act 2006 as the Company is included within the consolidated accounts of Racecourse Media Group Limited. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

b) Turnover

Turnover is recognised at the fair value of the consideration received or receivable in respect of the principal activities of marketing and managing the media rights for the 37 racecourses that have licensed their rights to the Company. Turnover is shown net of value added tax.

Turnover, which excludes value added tax, represents the income in respect of the principal activities of marketing and managing the media rights for the 37 racecourses that have licensed their rights to the Group. Amounts received for terrestrial rights and subscriptions are recognised over the life of the contracts. Amounts received for streaming are recognised as the services are provided.

Notes to the financial statements for the year ended 31 December 2018 (continued)

1. Accounting policies (continued)

c) Interest income

Interest income is accrued on a time apportioned basis, by reference to the principle outstanding at the effective interest rate.

d) Employee benefits

The costs of short term employee benefits are recognised as a liability and an expense unless those costs are required to be recognised as part of the costs of stock or are capitalised as an intangible fixed asset or tangible fixed asset.

e) Intangible fixed assets

Intangible fixed assets comprise of computer software, which is being amortised over its useful economic life.

Software – 3 years straight line
Other Intangibles – 10 years straight line

Assets under construction are classified within their respective asset class until they are sufficiently material to require separate disclosure. Depreciation is not provided until the asset is brought into use.

f) Fixed asset Investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. Interests in subsidiaries, associates and jointly controlled entities are assessed for impairment at each reporting date. Any impairment losses or reversal of impairment losses are recognised immediately in profit or loss.

g) Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

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
Motor vehicles	- 25% reducing balance

Trade investments are classified as financial instruments and accounted for in accordance with the accounting policy at fair value through profit or loss.

Assets under construction are classified within their respective asset class until they are sufficiently material to require separate disclosure. Depreciation is not provided until the asset is brought into use.

h) Operating leases

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

Notes to the financial statements for the year ended 31 December 2018 (continued)

1. Accounting policies (continued)

i) Pension scheme arrangements

The Company 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.

j) Foreign currencies

The presentational and functional currency of the company is Sterling. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All transaction differences are taken to the profit and loss, except to the extent that they relate to gains or losses on non–monetary items recognised in other comprehensive income, when the related transaction gain or loss is recognised in other comprehensive income.

k) Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

l) Going concern

The Company made a profit on ordinary activities before tax and licence fees of £38,409,000 in the year ended 31 December 2018. As shown on page 11, the balance sheet discloses shareholder's funds amounting to £3,989,000, which is in line with directors' expectations.

The board has prepared financial forecasts for the current and subsequent trading periods which indicate that the Company 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 Company's operational performance in the current financial year is in conformity with the forecasts prepared 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.

Notes to the financial statements for the year ended 31 December 2018 (continued)

1. Accounting policies (continued)

m) Financial instruments

Financial instruments and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Trade and other debtors are recognised and carried forward at invoiced amounts less provisions for any doubtful debts. Bad debts are written off when identified.

Cash and cash equivalents are included in the balance sheet at transaction price. Cash and cash equivalents comprise cash at bank and in hand and short terms deposits with an original maturity of three months or less.

Trade and other creditors are recognised at transaction price.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re- measured to fair value, at each reporting date. Fair value gains and losses are recognised in profit and loss unless hedge accounting is applied and the hedge is a cash flow hedge.

n) Judgements in applying accounting policies and key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

An assumption has been applied regarding the recognition of revenues relating to certain contract revenues. These are recognised and phased in accordance with the stage of completion of the project, where costs are incurred to complete can be measured reliably.

2 Geographical analysis

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

	2018 £'000	2017 £'000
UK and Ireland	49,008	44,764
Rest of World	18,615	21,581
	67,623	**66,345**

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

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

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Operating profit

	2018	2017
Operating profit is stated after charging:	£'000	£'000
Depreciation of fixed assets	482	319
Services provided by the Company's auditor:		
Statutory audit	40	44
Other services relating to taxation and compliance services	7	15
Fees for other services	3	-
Foreign currency exchange (gains) / losses	(81)	(38)
Licence fees	36,249	37,083
Operating Lease rentals - Land and buildings	240	233
Operating Lease rentals - Other	830	1,160

4 Employees and directors

The average number of employees of the Company, including executive directors, during the year was 84, including 34 for administration and 50 for production (2017: 34 for administration and 58 for production).

Employment costs were:	2018	2017
	£'000	£'000
Wages and salaries	6,133	6,164
Social security costs	779	759
Pension costs	415	411
	7,327	**7,334**
Directors' emoluments (excluding pension contributions)	1,986	1,780
Directors pension contributions	81	64
Emoluments (excluding pension fund contributions) of the highest paid director	770	680

The Company made contributions to a defined contribution pension scheme for four directors (2017: five) during the year. The Company made no contributions to a defined contribution pension scheme (2017: £8,200) for the highest paid director.

The Company made no compensation payments in respect of loss of office in the year (2017: nil). No share options have been granted to or exercised by any of the directors (2017: nil). During the year no director had an interest in the shares of the Company (2017: nil)

5. Interest

	2018	2017
	£'000	£'000
Bank interest receivable	75	28
Interest payable and similar charges	(156)	(155)
Net interest (payable) / receivable	**(81)**	**(127)**

Notes to the financial statements for the year ended 31 December 2018 (continued)

6. Taxation

Analysis of the tax charge:	**2018**	**2017**
	£'000	**£'000**
Current Tax:		
UK corporation tax	376	318
Deferred tax:		
Timing differences	27	(2)
Tax on profit on ordinary activities	**403**	**316**

	2018	**2017**
	£'000	**£'000**
The Company's effective tax rate reconciliation is as follows:		
Profit on ordinary activities before tax	2,160	1,389
Profit on ordinary activities multiplied by the statutory rate of corporation tax in the UK of 19% (2017: 19.25%)	410	267
Effects of:		
Expenses not deductable for tax purposes	53	69
Group income	(50)	-
Adjustments to tax charge in respect of previous periods	(7)	(18)
Adjust closing deferred tax to average rate of 19%	(3)	(2)
Tax charge for period	**403**	**316**

Factors affecting future tax charge

The rate of 17% is used for the calculation of the deferred tax provision as at 31 December 2018 (2017: 17%). Corporation tax reductions announced result in a change to 19% from 1 April 2017 and then to 17% from 1 April 2020.

Notes to the financial statements for the year ended 31 December 2018 (continued)

7. Intangible fixed assets

	Software Costs £'000	Other Intangibles £'000	Total £'000
Cost			
At 1 January 2018	596	102	698
Additions	-	77	77
At 31 December 2018	596	179	775
Amortisation			
At 1 January 2018	95	-	95
Charge for year	217	14	231
At 31 December 2018	312	14	326
Carrying Amount			
At 31 December 2018	284	165	449
At 31 December 2017	501	102	603

8. Tangible fixed assets

	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Totals £'000
Cost				
At 1 January 2018	2,786	270	20	3,076
Additions	174	112	-	286
At 31 December 2018	2,960	382	20	3,362
Depreciation				
At 1 January 2018	2,293	222	11	2,526
Charge for year	231	17	3	251
At 31 December 2018	2,524	239	14	2,777
Net book value				
At 31 December 2018	435	143	7	585
At 31 December 2017	493	48	9	550

Notes to the financial statements for the year ended 31 December 2018 (continued)

9. Investments

Name	Type of Business	Country of Incorporation	Class of Shares	2018 Ownership	2018 £'000	2017 Ownership	2017 £'000
Boscabet DAC*	Media	UK	Ordinary	25.1%	900	-	308
GBI Racing Limited**	Media	UK	'B' Ordinary	50%	-	50%	-
Racecourse Data Company Limited***	Media	UK	'A' Ordinary	55%	-	55%	-
Total cost of investment					900		308

* The Company exercised an option to acquire 25.1% of Boscabet DAC in January 2018.

** The Company acquired a 50% interest in the ordinary share capital of GBI Racing Limited on 1 March 2010.

*** The Company acquired a 55% floating interest in the ordinary share capital of Racecourse Data Company on 23 December 2013. Ownership floats in accordance with the provisions set out in the shareholder agreement.

The capital and reserves of GBI Racing Limited at 31 December 2018 were £68,000 (2017: £127,000) and the net profit for the year was £19,000 (2017: £19,000). The joint venture pays licence fees to the joint venture partners in respect of the grant of media rights to it from the partners. Profit before licence fees, interest and tax in the year was £16,506,000 (2017: £22,638,000).

The capital and reserves of Racecourse Data Company Limited at 31 December 2018 were £674,000 (2017: £620,000) and the profit before taxation for the year was £680,000 (2017: £755,000).

10. Debtors

Amounts falling due within one year:	**2018 £'000**	**2017 £'000**
Trade debtors	7,117	8,415
Other debtors	38	48
Prepayments and accrued income	4,296	6,602
Deferred tax (liability)/asset	(3)	24
	11,448	**15,089**
Amounts falling due after one year:		
Prepayments and accrued income	55	503
Other debtors	503	775
	558	**1,278**
	12,006	**16,367**

Notes to the financial statements for the year ended 31 December 2018 (continued)

11. Creditors: Amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	709	211
UK corporation tax	379	323
Other taxation and social security	1,020	589
Accruals and deferred income	40,227	35,421
	42,335	**36,544**

12. Deferred tax

The balance of the deferred tax account consists of the tax effect of timing differences in respect of:	2018 £'000	2017 £'000
Accelerated capital allowances	20	8
Other timing differences	(17)	(32)
Liability/(Asset) for deferred tax	**3**	**(24)**

	2018 £'000	2017 £'000
Provision at start of period	(24)	(22)
Deferred tax credit in profit and loss account	27	(2)
Liability/(Asset) at end of period	**3**	**(24)**

The deferred tax liability/(asset) is shown in note 10.

13. Share Capital

	Alloted, called up and fully paid	
	Number of shares	**£**
As at 1 January 2018:		
Ordinary 'A' shares of £1	2	2
Ordinary 'B' shares of £100	11,800	1,180,000
As at 31 December 2018:		
Ordinary 'A' shares of £1	2	2
Ordinary 'B' shares of £100	11,800	1,180,000

The Company's 'A' ordinary shares carry all voting rights, dividends and repayment of capital other than where restricted by the rights attaching to the 'B' ordinary shares.

The 'B' ordinary shares carry no voting rights, receive a share in 10% of the dividends of the Company to the extent that they exceed £100,000,000 in any year and have a preferred right to share in 10% of capital returns over £100,000,000.

Notes to the financial statements for the year ended 31 December 2018 (continued)

14. Financial commitments

The Company has future minimum lease payments under non-cancellable operating leases expiring as follows:

	2018 Land and buildings £'000	2018 Other £'000	2017 Land and buildings £'000	2017 Other £'000
Within one year	242	113	239	684
Within 2 to 5 years	662	-	902	113
Total	904	113	1,141	797

15. Related party transactions

Racecourse groups

The racecourse operators below are members of the Company's parent Racecourse Media Group Limited and have licensed certain of their media rights to the Group:

- The Western Meeting Club Limited (Ayr racecourse)
- The Catterick Racecourse Company Limited
- Goodwood Racecourse Limited
- Kelso Races Limited
- Musselburgh Joint Racing Committee
- The Ludlow Race Club Limited
- The Beverley Race Company Limited
- Newbury Racecourse plc
- The Perth Hunt
- The Pontefract Park Race Company Limited
- Redcar Racecourse Limited
- Thirsk Racecourse Limited
- York Racecourse Knavesmire LLP
- The Chester Race Company Limited**
- The Hamilton Park Racecourse Limited
- The Bibury Club Limited (Salisbury racecourse)
- Cartmel Steeplechases (Holker) Limited
- Jockey Club Racecourses Limited*
- Wetherby Steeplechase Committee Limited
- Ascot Racecourse Limited
- Leicester Racecourse Holdings Limited (Joined 1 May 2017)
- Stratford-on-Avon Racecourse Company Limited (Joined 1 July 2017)
- Taunton Racecourse Company Limited (Joined 1 May 2017)

* Owner of 14 affiliated courses (Aintree, Carlisle, Cheltenham, Epsom Downs, Exeter, Haydock, Huntingdon, Kempton, Market Rasen, Newmarket, Nottingham, Sandown, Warwick and Wincanton).

** Owner of two affiliated racecourses (Chester and Bangor-On-Dee).

During the year RMG Operations 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 £36,921,000 (2017: £37,696,000) and which included £17,354,000 (2017: £17,883,000) to Jockey Club Racecourses Limited. As at 31 December 2018 the balance outstanding was £29,587,000 (2017: £26,998,000) including £12,883,000 (2017: £12,190,000) to Jockey Club Racecourses Limited.

Notes to the financial statements for the year ended 31 December 2018 (continued)

15. Related party transactions (continued)

RMG Operations Limited provides broadcast services to member racecourses as part of a service and cost sharing arrangement. The total value of these sales in the year was £3,301,000 (2017: £3,029,000); of this £1,467,000 (2017: £1,427,000); related to Jockey Club Racecourses Limited. As at 31 December 2018 the balance outstanding was £263,000 (2017: £412,000) including £146,000 (2017: £275,000) from Jockey Club Racecourses Limited.

Amalgamated Racing Limited

Amalgamated Racing Limited operated Turf TV and is a joint venture between Racecourse Media Services Limited and Timeweave Gaming Limited, a subsidiary of Timeweave plc. Racecourse Media Services Limited is a joint venture formed by the shareholders of the parent company, Racecourse Media Group Limited. During the year ended 31 December 2018, RMG Operations Limited provided services to Amalgamated Racing Limited of £1,403,000 (2017: £4,743,000) and the balance outstanding at the year-end was nil (2017: £397,000). Amalgamated Racing Limited ceased trading on 31 March 2018.

GBI Racing Limited

See note 9 for details of the joint venture undertaking, GBI Racing Limited. During the year ended 31 December 2018, RMG Operations Limited provided services to GBI Racing Limited of £9,950,000 (2017: £13,028,000) and incurred costs on their behalf of £591,000 (2017: £548,000). The balance outstanding at the year-end was £1,706,000 (2017: £4,812,000).

Racecourse Betting Company Limited

Racecourse Betting Company Limited is a company controlled by substantially the same shareholders as Racecourse Media Group Limited, the parent company of RMG Operations Limited. Racecourse Betting Company Limited operated under a contract with Tote (Successor Company) Limited and Done Brothers (Cash Betting) Limited to provide on–course Tote betting facilities, sponsorship and on-course betting shops. During the year ended 31 December 2018, Racing UK Limited provided services to Racecourse Betting Company Limited of £67,000 (2017: £35,000) and the balance outstanding at the year end was £0 (2017: £157,000). Racecourse Betting Company Limited ceased trading on 12 July 2018.

Racecourse Data Company Limited

See note 9 for details of the joint venture undertaking, Racecourse Data Company Limited, and note 9 for details of amounts outstanding with the Company as at 31 December 2018. During the year ended 31 December 2018, RMG Operations Limited provided services to Racecourse Data Company Limited of £55,000 (2017: £54,000) of which £18,000 was owed at year ended. The interest bearing loan provided to Racecourse Data Company Limited of £330,000 in 2014 has been paid in full and is no longer outstanding.

During the year ended 31 December 2018 Racecourse Data Company Limited provided services to RMG Operations Limited of £249,000 (2017: £224,000) and £249,000 remains outstanding at the year end.

Racecourse Retail Business Limited

Racecourse Retail Business Limited is a company controlled by the same shareholders as Racecourse Media Group Limited, the parent company of RMG Operations Limited. During the year ended 31 December 2018, RMG Operations Limited provided services to Racecourse Retail Business Limited of £5,041,000 (2017: £32,000) and the balance outstanding at the year end was £1,341,000 (2017: £643,000).

Notes to the financial statements for the year ended 31 December 2018 (continued)

15. Related party transactions (continued)

Racecourse Media Services Limited

Racecourse Media Services Limited is a company controlled by the same shareholders as Racecourse Media Group Limited, the parent company of RMG Operations Limited. It is the legal entity that holds shares in Amalgamated Racing Limited and receives and distributes dividends on behalf of the member racecourses. During the year ended 31 December 2018, RMG Operations Limited provided services to Racecourse Media Services Limited of £16,000 (2017: £5,000). The balance outstanding at the year end was £1,000 (2017: £5,000).

16. Remuneration of key management personnel

The total remuneration of company directors who are considered to be the key management personnel of the company was £2,069,000 (2017: £1,848,000).

17. Reconciliation of profit after tax to net cash generated from operating activities

	2018 £'000	2017 £'000
Total comprehensive income	1,886	1,073
Adjustments for :		
Depreciation	482	319
Loss on disposal of Fixed Asset (non cash)	-	12
BHA Grant moved to Fixed Assets	-	(55)
Interest net	46	127
Decrease / (Increase) in debtors	4,361	(1,673)
Increase in creditors	5,791	3,539
Increase in cash flow hedge	(129)	-
Dividend income	(265)	-
Corporation Tax	319	316
Foreign exchange (gain)	(81)	(38)
Net cash inflow from operating activities	**12,410**	**3,620**

18. Reconciliation of movement in net funds

	2018 1 January 2018 £'000	Cash flow £'000	2018 31 December 2018 £'000
Cash at bank	21,692	10,692	32,384
Total	**21,692**	**10,692**	**32,384**

Notes to the financial statements for the year ended 31 December 2018 (continued)

19. 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	2018	2017
	£'000	£'000
Loans and receivables measured at amortised cost		
Trade receivables	7,117	8,415
Accrued Income	2,701	5,526
Other debtors	541	823
Total	**10,359**	**14,764**

	2018	2017
Financial liabilities measured at amortised cost	£'000	£'000
Trade payables	709	211
Accruals	40,227	35,421
Total measured at fair value through profit and loss	**40,936**	**35,632**

(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.

Notes to the financial statements for the year ended 31 December 2018 (continued)

19. Financial Instruments (continued)

(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 dollars and Euro's from the Company's international distribution. The risk in the carrying value of foreign currency amounts is mitigated by minimising foreign currency balances and converting to sterling at regular intervals whilst the Company's GBI Racing Limited joint venture undertakes hedges to limit exposure to exchange rate volatility.

The Company uses foreign currency forward contracts and options to manage some of the foreign exchange risk of future transactions and cash flows. The contracts are valued based on available market data.

At the year end, the total amount of outstanding foreign exchange forward contracts that the Company has committed to are as follows:

Foreign Exchange Forward Contract	2018 £'000	2017 £'000
US Dollar	2,107	1,216
Euro	1,456	-
Australian Dollar	966	-
Hong Kong Dollar	367	-
	4,896	**1,216**

(d) Finance and interest rate risk

The Company finances its operations through its cash balances. It renewed a revolving credit facility in 2016.

No interest rate hedging agreement is currently in place given the level of cash. 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.

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.

Notes to the financial statements for the year ended 31 December 2018 (continued)

19. Financial Instruments (continued)

(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.

(g) Fair values

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

20. Control

The immediate parent company is Racecourse Media Group Limited. Racecourse Media Group Limited, a company incorporated in England and Wales, administers the company in accordance with its articles of association. There is no single controlling party. The largest and smallest company preparing consolidated accounts that include the company is Racecourse Media Group Limited whose registered address is 10th Floor, The Met Building, 22 Percy Street, London, W1T 2BU; and this is where the accounts are held.

21. Post balance sheet events

There are no post balance sheet events affecting the Company.

22. Reserves

Share capital

Share capital represents the nominal value of shares issued.

Profit and loss account

Includes all current and prior period retained profits and losses.

Cash flow hedge reserve

Represents the market value of cash flow hedges in place at 31 December 2018

23. Contingent Liabilities

There were no contingent liabilities at 31 December 2018 or 31 December 2017

24. Capital Commitments

The Company had capital commitments at 31 December 2018 of £154,000 (2017: nil)

Notes to the financial statements for the year ended 31 December 2018 (continued)

25. Pension

The Company operates a defined contribution pension scheme. The Company pays fixed contributions into an independently administered entity. The pension cost charge represents contributions payable by the Company to the fund and amounted to £415,000 (2017: £411,000). Contributions totalling £56,000 (2017: £66,000) were payable to the fund at the balance sheet date.

26. Related Party transactions

The Company has taken advantage of the exemption available and has not disclosed transactions with wholly owned group companies headed by Racecourse Media Group Ltd, the ultimate parent undertaking which forms part of the group.