

# **Racecourse Media Group Limited**

**Directors' report and consolidated financial statements**

**Year ended 31 December 2012.**

**Registered no. 06544004**

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## **Racecourse Media Group Limited**

### **Report of the Directors for the year ended 31 December 2012**

The directors present their report with the financial statements of Racecourse Media Group Limited ("the Group") for the year ended 31 December 2012

#### **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 33 British racecourse licensors. These rights are primarily exploited via the following channels

- Pay TV for residential and commercial premises
- International channel to wagering outlets
- Videostreaming via RacingUK.com and Bet2View licences with leading bookmakers
- Domestic terrestrial rights licensed to Channel Four and BBC
- 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 Racecourse Media Group Limited, Ascot Racecourse Limited and Timeweave plc.

The Group continued to improve its performance with turnover growing by 7% 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 near 100% of profits to licensors reflecting the commercial substance of the position that Racecourse Media Group is a media rights vehicle which channels earnings from the exploitation of such rights to its licensors. These payments are detailed in note 20 to the accounts. The term of these media rights licences was extended in 2011 for the period through to February 2019. The Group completed media rights agreements for three additional racecourses (Exeter, Kelso and Perth) to join the Group with effect from May 2012, and announced the addition of Ascot from June 2014.

The Group's joint venture (GBI Racing Limited) with Attheraces Holdings Limited (the broadcaster for non Racecourse Media Group affiliated racecourses) to provide a joint international service to broadcast British and Irish racing to international wagering outlets traded well in its third year and continues to exceed expectations.

The Group completed a new terrestrial television contract for the term 2013 to 2016, which will see terrestrial television coverage provided exclusively by Channel 4.

During the year the Group successfully moved its production centre to a new facility, built to its specification, at Ealing Studios.

The Group's balance sheet discloses shareholders' funds amounting to £1,639,000, as shown on page 7. 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.

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 directors believe that the business has good growth prospects and have prepared budgets and plans that reflect this.

## **Racecourse Media Group Limited**

### **Report of the Directors for the year ended 31 December 2012**

#### **Results and dividends**

The detailed results for the year and transfer to reserves of the retained loss of £8,000 are set out in the consolidated profit and loss account on page 6. The directors do not recommend the payment of a dividend (2011: £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.

This is achieved through exploiting the content via direct broadcasting and 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 2011 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 potentially be exposed to a reduction in consumer demand as a result of the prevailing economic environment. However, with the success of the relaunch of the Racing UK channel following the administration of Setanta Sports in 2009, the directors have a clear indication that the quality of content and the strength of the home entertainment sector in the recent years provides significant mitigation to this risk.

##### *Reliance on key distributors*

The business's exposure to key distributors has reduced significantly with the move to a standalone residential channel following the administration of Setanta Sports together with the move to distribute content internationally via a joint venture (GBI Racing Limited) with Attheraces Holdings Limited.

##### *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 Group's ability to adjust ongoing licence fee payments to racecourses together with 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 Group's financial risk management objectives and policies are set out in note 24 to the financial statements.

## **Racecourse Media Group Limited**

### **Report of the Directors for the year ended 31 December 2012**

#### **Key Performance Indicators ("KPIs")**

The Group has made good progress during the year. The Group uses underlying turnover and licence fees as performance indicators. Underlying turnover was £39,102,000 (2011: £36,611,000). Licence fees are shown within note 3.

#### **Directors**

The directors shown below held office during the period from 1 January 2012 to the date of this report.

S L Bazalgette

W J P Derby

S T Ellen

W G Farnsworth

R J N FitzGerald

J F Sanderson

M J Stevenson (appointed 29 February 2012)

R C Lewis (appointed 26 July 2012)

P Fisher (alternate for S L Bazalgette)

S Hordern (alternate for W Derby)

J H Sanderson (appointed 28 March 2012 as alternate for J F Sanderson and W G Farnsworth)

#### **Charitable and political donations**

During the financial year the Group made donations to charitable organisations amounting to £4,717 (2011: £11,333). 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.

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and accounting estimates that are reasonable and prudent,
- c state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- d prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the company will continue in business.

## **Racecourse Media Group Limited**

### **Report of the Directors for the year ended 31 December 2012**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

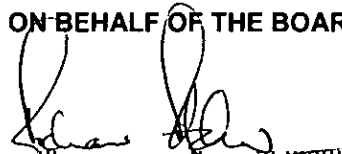
#### **Statement as to disclosure of information to auditor**

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they 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 it has been communicated to the auditor.

#### **Auditors**

Baker Tilly UK Audit LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

**ON BEHALF OF THE BOARD.**



R J N FitzGerald  
Director

Date 22 March 2013

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RACECOURSE MEDIA GROUP LIMITED**

We have audited the group and parent company financial statements (the "financial statements") on pages 6 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of directors and auditors**

As more fully explained in the Directors' Responsibilities Statement set out on pages 3 to 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2012 and of the group's loss 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.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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.

*Baker Tilly UK Audit LLP*

GARY PURDY (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

Hanover House

18 Mount Ephraim Road

Tunbridge Wells

Kent TN1 1ED

Dated *9 April 2013*

# Racecourse Media Group Limited

## Group profit and loss account for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
<b>Turnover</b>			
Group turnover		36,957	34,614
Share of turnover of joint venture		2,145	1,997
<b>Group and share of joint venture's turnover</b>	<b>2</b>	<b>39,102</b>	<b>36,611</b>
<b>Operating expenses</b>			
Group operating expenses		(36,536)	(34,643)
Share of operating expenses of joint venture		(1,945)	(1,827)
Amounts written off associates		(138)	-
<b>Group and share of joint venture's operating expenses</b>		<b>(38,619)</b>	<b>(36,470)</b>
<b>Operating profit/(loss)</b>			
Group operating profit/(loss)		283	(29)
Share of operating profit of joint venture		200	170
Share of operating losses of associate		(121)	(3)
<b>Group and share of joint venture's and associates total operating profit</b>	<b>3</b>	<b>362</b>	<b>138</b>
Group net interest receivable	7	-	55
<b>Profit on ordinary activities before taxation</b>		<b>362</b>	<b>193</b>
Tax on profit on ordinary activities	8	(370)	(259)
<b>Loss transferred to reserves</b>	<b>18</b>	<b>(8)</b>	<b>(66)</b>

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

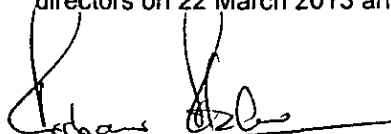
As permitted under Section 408 of the Companies Act 2006, the profit and loss account of the company is not published as part of these financial statements. The result for the year of the company is shown in note 21 to the financial statements.

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

**Group balance sheet as at 31 December 2012**

	Notes	2012 £'000	2012 £'000	2011 £'000	2011 £'000
<b>Fixed assets</b>					
Tangible assets	9		723		631
Goodwill	10		500		589
Investment in joint venture	6				
Share of gross assets		3,610		2,443	
Share of gross liabilities		(3,610)		(2,443)	
Loan to joint venture		450		450	
			450		450
Investment in associate	12		-		95
<b>Total fixed assets</b>			<b>1,673</b>		<b>1,765</b>
<b>Current assets</b>					
Debtors					
- due within one year	13		8,177		6,056
- due after one year	13		1,671		1,800
Cash at bank	23		4,734		6,790
			<b>14,582</b>		<b>14,646</b>
<b>Creditors</b> Amounts falling due within one year	14		(14,614)		(14,721)
<b>Net current liabilities</b>			<b>(32)</b>		<b>(75)</b>
<b>Total assets less current liabilities</b>			<b>1,641</b>		<b>1,690</b>
<b>Provisions for liabilities</b>	15		(2)		(43)
<b>Net assets</b>			<b>1,639</b>		<b>1,647</b>
<b>Capital and reserves</b>					
Called up share capital	17		1,002		1,002
Profit and loss account	18		637		645
<b>Shareholders' funds</b>	21		<b>1,639</b>		<b>1,647</b>

The financial statements on pages 6 to 24 were approved and authorised for issue by the board of directors on 22 March 2013 and signed on its behalf by

  
 R J N FitzGerald  
 Director

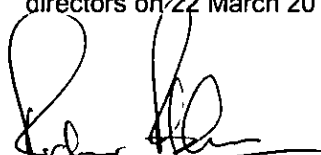


# Racecourse Media Group Limited

Company balance sheet as at 31 December 2012

	Notes	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Investments	11	1,000	1,000
		<u>1,000</u>	<u>1,000</u>
<b>Current assets</b>			
Debtors	13	2	2
Cash at bank		-	-
		<u>2</u>	<u>2</u>
<b>Creditors amounts falling due within one year</b>	14	-	-
<b>Net current assets</b>		<u>2</u>	<u>2</u>
<b>Net assets</b>		<u>1,002</u>	<u>1,002</u>
<b>Capital and reserves</b>			
Called up share capital	17	1,002	1,002
Profit and loss account	18	-	-
<b>Shareholders' funds</b>	21	<u>1,002</u>	<u>1,002</u>

The financial statements on pages 6 to 24 were approved and authorised for issue by the board of directors on 22 March 2013 and signed on its behalf by



R J N FitzGerald  
Director

# Racecourse Media Group Limited

## Group cash flow statement for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Net cash (outflows) / inflows from operating activities	22	(1,408)	2,780
Returns on investments and and servicing of finance	22	(12)	43
Taxation	22	(74)	(16)
Capital expenditure	22	(482)	(401)
Acquisitions and disposals	22	(80)	(100)
<b>(Decrease) / increase in cash in the period</b>		<b>(2,056)</b>	<b>2,306</b>

### Reconciliation of net cashflow to movement in net funds

Net funds at 1 January		6,790	4,484
(Decrease)/increase in cash flow		(2,056)	2,306
<b>Net funds at 31 December</b>	<b>23</b>	<b>4,734</b>	<b>6,790</b>

## **Racecourse Media Group Limited**

### **Notes to the financial statements for the year ended 31 December 2012**

#### **1. Accounting policies**

##### **a) Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

##### **b) Basis of consolidation**

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings together with the Group's share of the results of its joint venture and associated undertaking. Sales and associated costs between the Group and the joint venture are eliminated against the joint venture. The acquisition method of accounting has been adopted for subsidiary undertakings. 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. Undertakings in which the Group has a long term interest and shares control under a contractual arrangement are defined as joint ventures. Joint ventures are accounted for using the gross equity method. Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

##### **c) Investment in associate**

In the Group's financial statements investments in associates are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of the associate's profits less losses while the Group's share of the net assets of the associate is shown in the consolidated balance sheet. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out below and is amortised over ten years. Any unamortised balance of goodwill is included in the carrying value of the investment of the associate.

##### **d) Turnover**

Turnover, which excludes value added tax, represents the income receivable in respect of the principal activities of marketing and managing the media rights for the 33 racecourses that have licensed their rights to the Group.

##### **e) 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
Motor vehicles	- 25% reducing balance

##### **f) Intangible fixed assets**

Goodwill arising on consolidation is initially recognised as an asset at cost and then subject to amortisation on a straightline basis over 10 years representing in the directors' view the minimum period over which the benefits of the goodwill will be realised. Goodwill is reviewed for impairment and any impairment is recognised immediately in the consolidated profit and loss statement.

##### **g) Operating leases**

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

## **Racecourse Media Group Limited**

### **Notes to the financial statements for the year ended 31 December 2012**

#### **1. Accounting policies (cont)**

##### **h) 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.

##### **i) 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.

##### **j) Deferred tax**

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.

##### **k) Going concern**

The Group made profit before tax and licence fees of £14,854,000 in the year ended 31 December 2012 and as shown on page 7, the balance sheet discloses shareholders' funds amounting to £1,639,000. This is in line with directors' expectations.

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.

##### **l) 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*

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

## Racecourse Media Group Limited

### Notes to the financial statements for the year ended 31 December 2012

#### 1 Accounting policies (cont)

##### *Cash and cash equivalents*

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

##### *Trade and other creditors*

Trade and other creditors are recognised at cost.

#### 2. Geographical analysis

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

	2012 £'000	2011 £'000
UK and Ireland	27,818	25,775
Rest of World	11,284	10,836
	<b>39,102</b>	<b>36,611</b>

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

#### 3 Operating profit

	2012 £'000	2011 £'000
<b>Operating profit is stated after charging</b>		
Depreciation of tangible fixed assets	370	219
Amortisation of Goodwill	99	91
Operating lease rentals in respect of land & buildings	225	214
Amounts written off associates	138	-
Services provided by the company's auditor:		
Statutory audit of parent and consolidated accounts	7	7
Audit of subsidiaries	25	24
Other services relating to taxation and compliance services	8	8
Fees for other services	6	18
Foreign currency exchange losses	55	50
Licence fees	14,492	13,578

The amounts written off associates relate to the carrying value of the original investment in Racing Ahead Weekend Limited and further costs associated with obligations arising under the associated shareholders' agreement.

## Racecourse Media Group Limited

### Notes to the financial statements for the year ended 31 December 2012

#### 4 Employees and directors

The average number of employees of the Group, including executive directors, during the year was 73, including 27 for administration and 46 for production (2011 27 for administration and 36 for production)

Employment costs were	2012 £'000	2011 £'000
Wages and salaries	4,010	3,857
Social security costs	506	524
Pension costs	322	271
	<b>4,838</b>	<b>4,652</b>
Directors' emoluments (excluding pension contributions)	663	617
Emoluments (excluding pension fund contributions) of the highest paid	389	416

The Group made contributions to a defined contribution pension scheme for two directors (2011 one) during the year. The Group made contributions to a defined contribution pension scheme totalling £39,629 (2011 £38,663) for the highest paid director. Included in directors' emoluments are fees totalling £90,000 (2011 £90,000) paid during the year to relevant shareholders for the services of four of the directors.

The Group made no compensation payments in respect of loss of office in the year.

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

#### 5. Share of associate's operating profit

The Group acquired a 49% interest in Racing Ahead Weekend Limited on 9 November 2011, publisher of Racing Plus newspaper. The Group's share of the results of Racing Ahead Weekend Limited is set out below.

	2012 £'000	2011 £'000
Loss for the period	(226)	(7)
Group's share of results for the period	(110)	(3)
Amortisation of goodwill	(10)	(2)
	<b>(121)</b>	<b>(5)</b>

The financial statements of Racing Ahead Weekend Limited are made up to 31 March each year. For the purposes of applying the equity method of accounting, Racing Ahead Weekend Limited's management accounts for the period from 1 December to 31 December 2012 have been used.

# Racecourse Media Group Limited

## Notes to the financial statements for the year ended 31 December 2012

### 6 Joint Ventures

Included in the results of the Group for 2012 and 2011 is a share of the net profit of GBI Racing Limited

GBI Racing Limited is a joint venture established with Attheraces Holdings Limited (the broadcaster for non Racecourse Media Group Limited affiliated racecourses) to create a joint international service to broadcast British and Irish racing to international wagering outlets and began operations on 1 March 2010

Sales and associated costs of £6,458,000 (2011 £5,891,000) have been eliminated against the Group's share of turnover and cost of sales shown in the consolidated profit and loss account

At 31 December 2012 amounts owed by GBI Racing Limited to the Group were £450,000 (2011 £450,000)

	2012 £'000	2011 £'000
<b>Share of</b>		
Turnover	8,603	7,888
Profit before tax	211	182
Tax	(211)	(182)
<b>Profit after tax</b>	-	-
Fixed assets	84	44
Current assets	3,526	2,399
<b>Share of gross assets</b>	<b>3,610</b>	<b>2,443</b>
Liabilities due within one year	(3,160)	(1,993)
Liabilities due after more than one year	(450)	(450)
<b>Share of gross liabilities</b>	<b>(3,610)</b>	<b>(2,443)</b>
<b>Share of net assets</b>	<b>-</b>	<b>-</b>

### 7 Interest

	2012 £'000	2011 £'000
Bank interest receivable	44	68
Interest payable and similar charges	(44)	(13)
<b>Net interest receivable/(payable)</b>	<b>-</b>	<b>55</b>

### 8. Taxation

<b>Analysis of the tax charge</b>	2012 £'000	2011 £'000
Current Tax		
UK corporation tax	200	77
Share of joint venture	211	182
	411	259
Deferred tax		
Origination and reversal of timing differences	(40)	-
Effect of decreased tax rate on opening liability	(1)	-
<b>Tax on profit on ordinary activities</b>	<b>370</b>	<b>259</b>

# Racecourse Media Group Limited

## Notes to the financial statements for the year ended 31 December 2012

### 8 Taxation (cont)

	2012 £'000	2011 £'000
The Group's effective tax rate reconciliation is as follows		
Profit on ordinary activities before tax	362	193
Profit on ordinary activities multiplied by the statutory rate of corporation tax in the UK of 24% (2011 26.5%)	87	51
Effects of:		
Fixed asset timing differences	(1)	-
Expenses not deductible for tax purposes	132	79
Depreciation for period in excess of capital allowances	43	1
Blwd tax losses utilised	(1)	(5)
Associate	-	1
Other timing differences	(1)	1
Withholding tax expensed	152	131
<b>Current tax charge for period</b>	<b>411</b>	<b>259</b>

### Factors affecting future tax charge

On 29 March 2012 the Government announced that the main rate of corporation tax would be reduced from 26% to 24% with effect from 1 April 2012. The main rate of corporation tax for the year from 1 April 2013 has been set at 23% by inclusion in the Finance Bill 2012. This was substantively enacted on 3 July 2012. As such, in accordance with UK GAAP, the rate of 23% is used for the calculation of deferred tax provision at 31 December 2012 (2011 25%).

### 9 Tangible fixed assets – Group

	Computer equipment £'000	Office equipment £'000	Motor Vehicles £'000	Totals £'000
<b>Cost</b>				
At 1 January 2012	987	220	20	1,227
Additions	434	48	-	482
At 31 December 2012	1,421	268	20	1,709
<b>Depreciation</b>				
At 1 January 2012	491	100	5	596
Charge for year	338	28	4	370
Amounts written off	20	-	-	20
At 31 December 2012	849	128	9	986
<b>Net book value</b>				
At 31 December 2012	572	140	11	723
At 31 December 2011	496	120	15	631



# Racecourse Media Group Limited

## Notes to the financial statements for the year ended 31 December 2012

### 10 Intangible fixed assets – Goodwill

	Positive goodwill £'000
<b>Cost</b>	
At 1 January 2012	885
Additions	-
At 31 December 2012	885
<b>Amortisation</b>	
At 1 January 2012	296
Charge for year	89
At 31 December 2012	385
<b>Net book value</b>	
At 31 December 2012	500
At 31 December 2011	589

### 11 Investment in subsidiaries, joint ventures and associates

Name	Country of Incorporation	2012 Ownership	2012 £'000	2011 Ownership	2011 £'000
Racing UK Online Limited (1) (2)	UK	100%	-	100%	-
The Racing Corporation Limited (1) (2)	UK	100%	-	100%	-
Racing UK Limited	UK	100%	1,000	100%	1,000
			1,000		1,000
GBI Racing Limited (2)	UK	50%	-	50%	-
Racing Ahead Weekend Ltd (2)	UK	49%	-	49%	100
<b>Total cost of investment</b>			<b>1,000</b>		<b>1,100</b>

(1) Dormant

(2) Held through Racing UK Limited

With the exception of GBI Racing Limited and Racing Ahead Weekend Limited, all other subsidiaries were acquired on 28 August 2008 from the previous parent company, Racing UK Limited Holdings Limited, as part of a restructuring of the Group

The interest in GBI Racing Limited was acquired on 1 March 2010. The interest in Racing Ahead Weekend Limited was acquired on 9 November 2011.

Investments in group undertakings are stated at cost. As permitted under section 615 of the Companies Act 2006, where relief afforded under section 612 of the Companies Act 2006 applies, cost is the nominal value of the relevant number of the Company's shares given to acquire the share capital of the subsidiary undertakings. The shares held in Racing UK Limited are equity shares under section 548 and section 616(1) of the Companies Act 2006.

## Racecourse Media Group Limited

### Notes to the financial statements for the year ended 31 December 2012

#### 12 Investment in associates

The Group acquired a 49% interest in Racing Ahead Weekend Limited on 9 November 2011, publisher of Racing Plus newspaper. The Group's investment in Racing Ahead Weekend Limited is set out below

	2012 £'000	2011 £'000
Share of net liabilities	(120)	(8)
Loans to associate	80	-
Goodwill arising on acquisition less amortisation	93	103
Impairment	(53)	-
	<b>-</b>	<b>95</b>
Net liabilities	(245)	(17)
Group's share of net liabilities	(120)	(8)
Loss for the period	(226)	(7)
Group's share of results for the period	(110)	(3)

The financial statements of Racing Ahead Weekend Limited are made up to 31 March each year. For the purposes of applying the equity method of accounting, Racing Ahead Weekend Limited's management accounts for the period to 31 December 2012 have been used.

As at 31 December 2012 the investment value is impaired to a carrying value of £nil in accordance with FRS 11 *Impairment of fixed assets and goodwill*. See note 27 for more information.

#### 13. Debtors

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Trade debtors	3,030	-	2,203	-
Amounts owed by joint venture	2,807	-	1,147	-
Other taxation and social security	-	-	635	-
Other debtors	265	2	372	2
Prepayments and accrued income	2,075	-	1,699	-
	<b>8,177</b>	<b>2</b>	<b>6,056</b>	<b>2</b>
Amounts falling due after more than one year				
Prepayments and accrued income	1,250	-	1,500	-
Other debtors	421	-	300	-
	<b>1,671</b>	<b>-</b>	<b>1,800</b>	<b>-</b>
<b>Aggregate amounts</b>	<b>9,848</b>	<b>2</b>	<b>7,856</b>	<b>2</b>

# Racecourse Media Group Limited

## Notes to the financial statements for the year ended 31 December 2012

### 14 Creditors

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Amounts falling due in less than one year				
Trade creditors	1,153	-	1,942	-
Other creditors	6	-	26	-
UK corporation tax	200	-	77	-
Other taxation and social security	410	-	204	-
Accruals and deferred income	12,845	-	12,472	-
	<b>14,614</b>	<b>-</b>	<b>14,721</b>	<b>-</b>

On 1 June 2012 the Company granted first mortgage debentures over the assets of Racing UK Limited to HSBC plc in respect of a revolving credit facility

### 15 Provisions for liabilities

	Group 2012 £'000	Group 2011 £'000
Deferred tax provision at start of period	43	43
Deferred tax charged to profit and loss account	(41)	-
Deferred tax provision at end of period	<b>2</b>	<b>43</b>

### 16 Deferred tax

	Group 2012 £'000	Group 2011 £'000
The balance of the deferred tax account consists of the tax effect of timing differences in respect of		
Accelerated capital allowances	7	52
Other timing differences	(5)	(9)
Provision for deferred tax	<b>2</b>	<b>43</b>

# Racecourse Media Group Limited

## Notes to the financial statements for the year ended 31 December 2012

### 17 Share capital

	Allotted, called up and fully paid	
	Number of shares	£
As at 1 January 2012		
Ordinary 'A' shares of £100	18	1,800
Deferred ordinary shares of £0.001	-	-
Ordinary 'B' shares of £100	10,000	1,000,000
As at 31 December 2012		
Ordinary 'A' shares of £100	20	2,000
Deferred ordinary shares of £0.001	-	-
Ordinary 'B' shares of £100	10,000	1,000,000

On 29 September 2011, Racing UK Limited issued 10,000 £100 Ordinary B shares at a price of £200 each to its racecourse licensors generating a share premium account of £1,000,000. On 21 November 2011, a capital reduction occurred eliminating the share premium account against the deficiency of reserves in that company. The share issue was satisfied by way of a capitalisation of licence fee liabilities due to the racecourses. On 29 September 2011, the new shares issued in Racing UK Limited were exchanged by the racecourses for shares with the same rights in Racecourse Media Group Limited.

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% in 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.

On 1 May 2012 Racecourse Media Group limited issued 2 Ordinary A shares at a price of £100 each to The Perth Hunt and Kelso Races Limited.

### 18. Reserves

	Group Profit and loss account £'000	Company Profit and loss account £'000
As at 1 January 2012	645	-
Retained loss for the year	(8)	-
As at 31 December 2012	<u>637</u>	<u>-</u>

### 19 Financial commitments

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

	2012		2011	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within 2 to 5 years	259	-	-	-
After five years	-	1,160	214	-

## **Racecourse Media Group Limited**

### **Notes to the financial statements for the year ended 31 December 2012**

#### **20 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 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

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

##### **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 £14,492,000 (2011 £13,578,000) and which included £9,299,000 (2011 £8,882,000) to Jockey Club Racecourses Limited. As at 31 December 2012 the balance outstanding was £9,273,000 (2011 £8,726,000) including £5,352,000 (2011 £4,982,000) to Jockey Club Racecourses Limited.

##### **Amalgamated Racing Limited**

Amalgamated Racing Limited operates 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, and Ascot Racecourse Limited. During the year ended 31 December 2012, Racing UK Limited provided services to Amalgamated Racing Limited of £4,447,000 (2011 £3,976,000) and the balance outstanding at the year end was £661,000 (2011 £382,000).

## Racecourse Media Group Limited

### Notes to the financial statements for the year ended 31 December 2012

#### 20. Related party transactions (cont)

##### Racecourse Media Services Limited

During the year ended 31 December 2012, Racing UK Limited provided services to Racecourse Media Services Limited of £220,000 (2011 £1,000) and the balance outstanding at the year end was 225,000 (2011 £6,000)

##### GBI Racing Limited

See note 6 for details of the joint venture undertaking, GBI Racing Limited, as well as amounts outstanding with the Group as at 31 December 2012

#### 21. Reconciliation of movement in shareholders' funds

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Opening shareholders' funds/(deficit)	1,647	(287)	1,002	2
Shares issued	-	1,000	-	1,000
Elimination of share premium account	-	1,000	-	-
Retained loss for the year	(8)	(66)	-	-
<b>Closing shareholders' funds</b>	<b>1,639</b>	<b>1,647</b>	<b>1,002</b>	<b>1,002</b>

#### 22. Reconciliation of operating profit to net cash inflow from operating activities

	2012 £'000	2011 £'000
Group operating profit / (loss)	283	(29)
Depreciation	370	219
Amortisation of goodwill	89	91
Amounts written off associates	138	-
(Increase) in debtors	(2,010)	(1,293)
(Decrease) / increase in creditors	(278)	3,792
<b>Net cash (outflow) / inflow from operating activities</b>	<b>(1,408)</b>	<b>2,780</b>

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

##### Return on investments and servicing of finance

Interest received	32	56
Interest paid	(44)	(13)
<b>Net cash (outflow) / inflow for returns on investments and servicing of finance</b>	<b>(12)</b>	<b>43</b>

##### Taxation

UK Corporation tax paid	(74)	(16)
<b>Net cash outflow for taxation</b>	<b>(74)</b>	<b>(16)</b>

##### Capital expenditure

Purchase of tangible fixed assets	(482)	(401)
<b>Net cash outflow for capital expenditure</b>	<b>(482)</b>	<b>(401)</b>

##### Acquisitions and disposals

Loan to Associate	(80)	-
Investment in associate	-	(100)
<b>Net cash outflow for acquisitions and disposals</b>	<b>(80)</b>	<b>(100)</b>

# Racecourse Media Group Limited

## Notes to the financial statements for the year ended 31 December 2012

### 23 Reconciliation of movement in net funds

	1 January 2012 £'000	Cash flow £'000	31 December 2012 £'000
Net cash			
Cash at bank	6,790	(2,056)	4,734
<b>Total</b>	<b>6,790</b>	<b>(2,056)</b>	<b>4,734</b>

### 24. 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*

	2012 £'000	2011 £'000
<b>Cash at bank and in hand</b>	4,734	6,790
<b>Loans and receivables</b>		
Trade receivables	3,030	2,203
Amounts owed by joint venture	3,257	1,597
Other debtors	686	1,307
	<u>6,973</u>	<u>5,107</u>
<b>Non financial assets</b>		
Prepayments and accrued income	3,325	3,199
Other non financial assets	1,223	1,315
	<u>4,548</u>	<u>4,514</u>
<b>Total</b>	<b>16,255</b>	<b>16,411</b>

##### *Financial liabilities*

	2012 £'000	2011 £'000
Trade payables	1,153	1,942
Other creditors	6	26
Corporation tax payable	200	77
Accruals	11,426	10,907
Other taxation and social security	410	204
<b>Total</b>	<b>13,195</b>	<b>13,156</b>
<b>Non financial liabilities</b>		
Other non financial liabilities	1,421	1,608
<b>Total</b>	<b>14,616</b>	<b>14,764</b>

## **Racecourse Media Group Limited**

### **Notes to the financial statements for the year ended 31 December 2012**

#### **24. Financial Instruments (cont)**

##### **(b) Financial risk management objectives**

The Group'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 Group'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 Group modifies and enhances its risk management policies and systems to reflect changes in markets and products.

##### **(c) Foreign currency risk**

Whilst the Group's trading activities are predominantly sterling based, a significant proportion of its revenue originates in other currencies mainly Euro from the Group'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 Group's GBI Racing Limited joint venture undertakes hedges to limit exposure to exchange rate volatility.

##### **(d) Finance and interest rate risk**

The Group finances its operations through its cash balances, short term loans from the controlling parties and a revolving credit facility. Interest on short term loans from controlling parties was set at 2% above base. The interest on the revolving credit facility is LIBOR plus 3%.

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 Group.

The Group 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 Group has dedicated standards, policies and procedures to control and monitor all such risks.

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

The Group manages liquidity risk by maintaining adequate short term borrowing facilities and by continuously monitoring forecast and actual cash flows. Included in note 24(d) is a description of the additional facilities that the Group has at its disposal.



## **Racecourse Media Group Limited**

### **Notes to the financial statements for the year ended 31 December 2012**

#### **24 Financial Instruments (cont)**

##### **(g) Fair values**

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

#### **25. Control**

The directors administer the company in accordance with the articles of association. There is no single controlling party.

#### **26 Contingent liabilities**

On 11 January 2012, the Group became guarantor for certain asset finance arrangements entered into between TTR Racing Limited, a company in which Racing UK Limited owns a 1p special share, and Lombard plc to the value of £2,860,000 in respect of the provision of studio facilities to the Company.

#### **27 Post balance sheet events**

On 25 February 2013 the Group's investment in Racing Ahead Weekend Limited was disposed of for consideration of £nil. See note 3 for details of the related impairment charge.