

Registered no: 04320977

Ascot Racecourse Limited
Annual report and financial statements
for the year ended 31 December 2008



Ascot Racecourse Limited

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Directors' report for the year ended 31 December 2008

The directors present their report and the audited financial statements of the company for the year ended 31 December 2008.

Principal activities

Ascot Racecourse Limited is the principal operating company of Ascot Authority (Holdings) Limited group, leasing and owning assets necessary to run the racing at Ascot, holding all intellectual property assets and entering into associated contracts relating to the practice, protection, development and exploitation of the brand. It uses these assets to run all racecourse operations at Ascot.

Business review and future developments

Turnover for the year was 8% up at £44,184,000 (2007: £40,986,000) with the additional turnover coming from increased sales over most income streams. Gross profit at £20,297,000 increased 11% on 2007 (2007: £18,287,000).

Administrative expenses were 2% lower than in 2007 at £20,449,000 (2007: £20,834,000). Administrative expenses include depreciation (net of amortisation of capital grants) of £13,511,000 (2007: £13,464,000); excluding depreciation administrative expenses were 6% down on 2007 at £6,938,000 (2007: £7,370,000).

Depreciation and interest charges of £10,887,000 (2007: £10,688,000) lead the company to report a loss on ordinary activities before taxation of £10,951,000 (2007: loss of £12,044,000).

Turnover, costs and profit/loss are the Key Performance Indicators used by the directors to monitor the performance of the business and are disclosed in the profit and loss account and discussed above. The principal risks and uncertainties facing the company surround the level of income generated and costs and finances of the business are actively managed accordingly. The directors expect the business to continue at a similar level of activity in the foreseeable future.

Results and dividends

The loss for the financial year after tax is £10,775,000 (2007: loss £10,078,000).

The directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: £nil).

Directors

The directors of the company who held office during the year and up to the date of signing the financial statements were as follows:

C H Barnett
J S Walker
R J Wilkie

Directors' indemnities

Ascot Authority (Holdings) Limited maintains liability insurance for directors and officers of group companies.

Charitable and political donations

During the year the company donated the sum of £35,604 (2007: £38,518) to local and racing related United Kingdom charitable organisations. No payments were made for political purposes (2007: none).

Directors' report for the year ended 31 December 2008 (continued)**Financial risk management**

The company has interest bearing liabilities principally to its holding company Ascot Authority (Holdings) Limited. Ascot Authority (Holdings) Limited has a policy of maintaining the majority of its debt at a fixed rate where possible to ensure certainty of future cash flows due to interest payable and charges subsidiaries interest on financing balances at 0.5% above the rate paid to the external lender. The company has some credit risk which it mitigates through robust credit control procedures, although the majority of sales invoices have to be paid before attendance at the relevant race meetings. The directors also undertake regular reviews of a comprehensive risk register which deals with a number of financial and non-financial risks faced by the business.

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

Each of the persons who are directors at the date of approval of this report confirm that so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board


C H Barnett
Director

9 April 2009

**Independent auditors' report to the members of
Ascot Racecourse Limited**

We have audited the financial statements of Ascot Racecourse Limited for the year ended 31 December 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Reading

14 April 2009

Profit and loss account for the year ended 31 December 2008

| | Note | 2008 £'000 | 2007 £'000 |
|--|--------|-----------------|---------------|
| Turnover | 2 | 44,184 | 40,986 |
| Cost of sales | | (23,887) | (22,699) |
| Gross profit | | 20,297 | 18,287 |
| Administrative expenses | | (20,449) | (20,834) |
| Other operating income | 3 | 65 | 1,052 |
| Operating loss | 3 | (87) | (1,495) |
| Interest receivable and similar income | | 11 | 157 |
| Interest payable and similar charges | 6 | (10,887) | (10,688) |
| Other finance income/(costs) | 19 | 12 | (18) |
| Loss on ordinary activities before taxation | | (10,951) | (12,044) |
| Tax on loss on ordinary activities | 7 | 176 | 1,966 |
| Loss for the financial year | 16, 17 | (10,775) | (10,078) |

The company's results for the year are derived entirely from continuing operations.

There are no material differences between the loss on ordinary activities before taxation and the loss for the financial years stated above, and their historical cost equivalents.

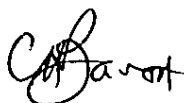
Statement of total recognised gains and losses for the year ended 31 December 2008

| | Note | 2008 £'000 | 2007 £'000 |
|---|------|-----------------|---------------|
| Loss for the financial year | | (10,775) | (10,078) |
| Actuarial losses on pension schemes | 19 | (48) | (102) |
| Movement on deferred tax relating to pension schemes | 13 | 13 | 30 |
| Total recognised loss since last annual report | | (10,810) | (10,150) |

Balance sheet as at 31 December 2008

| | Note | 2008 £'000 | 2007 £'000 |
|---|------|---------------|---------------|
| Fixed assets | | | |
| Tangible assets | 8 | 195,895 | 207,668 |
| Current assets | | | |
| Stock | 9 | 348 | 536 |
| Debtors | 10 | 4,184 | 7,218 |
| Cash at bank and in hand | | 1,574 | 1,954 |
| | | 6,106 | 9,708 |
| Creditors - Amounts falling due within one year | 11 | (17,605) | (18,951) |
| Net current liabilities | | (11,499) | (9,243) |
| Total assets less current liabilities | | 184,396 | 198,425 |
| Creditors - Amounts falling due after more than one year | 12 | (175,688) | (180,963) |
| Provisions for liabilities and charges | 13 | - | (402) |
| Deferred capital grants and contributions | 14 | (14,876) | (12,417) |
| Net (liabilities)/assets excluding pension asset | | (6,168) | 4,643 |
| Pension asset | 19 | 97 | 96 |
| Net (liabilities)/assets including pension asset | | (6,071) | 4,739 |
| Capital and reserves | | | |
| Called up share capital | 15 | 100 | 100 |
| Share premium account | 16 | 1,340 | 1,340 |
| Profit and loss account | 16 | (7,511) | 3,299 |
| Total equity shareholders' funds | 17 | (6,071) | 4,739 |

The financial statements on pages 4 to 22 were approved by the board of directors on 9 April 2009 and were signed on its behalf by:



C H Barnett
Director

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

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The financial statements have been prepared on the going concern basis, notwithstanding total net liabilities of £6,071,000, which the directors believe to be appropriate for the following reasons. The company is the principal operating subsidiary of Ascot Authority (Holdings) Limited, which acts as treasurer for the group. Ascot Authority (Holdings) Limited provides day to day working capital for the company and long term funding via an inter company loan facility with no set repayments until 2023. Ascot Authority (Holdings) Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Turnover

Turnover, which excludes value added tax, represents income received and receivable in respect of the principal activities of operating and managing the racecourse and its facilities.

Entrance money and hospitality income are recognised on the day of the event to which they relate. Annual membership, box rental and sponsorship income is spread over the term to which is relates. Differences between cash received and income recognised are included within deferred income.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at the cost of purchase or construction less provisions for depreciation and impairment. Financing costs are not capitalised within the value of fixed assets.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

| | % |
|---------------------------------------|--------|
| Leasehold improvements, lease premium | 6 |
| Machinery and equipment | 5 – 20 |
| Fixtures and office equipment | 10 |
| Motor vehicles | 20 |

Ascot Racecourse Limited leases the site on which it operates from Ascot Racecourse Estates Limited, a fellow subsidiary, under a lease which expires in 2023. Assets are amortised over the shorter of the period of this lease, which expires in 2023, or the remaining useful economic life. Assets in course of construction are not depreciated. When the assets are ready to be brought into use they are transferred to the relevant category and depreciation is commenced.

The carrying values of all tangible fixed assets are reviewed for impairment when there is an indication that the assets might be impaired. Any provision for impairment is charged to the profit and loss account in the year concerned.

Notes to the financial statements for the year ended 31 December 2008 (continued)**1 Accounting policies (continued)****Horserace Betting Levy Board and other grants**

Horserace Betting Levy Board (HBLB) or other grants received on qualifying assets under the Board's Capital Improvement Grant Scheme and capital contributions from third parties are credited to deferred capital grants and contributions and released to the profit and loss account to be matched against depreciation over the expected useful economic lives of the assets to which they relate.

Leased assets

Leasing and hire purchase agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as finance leases, as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases or hire purchase agreements. Assets held under finance leases or hire purchase agreements are depreciated on a basis consistent with similar owned assets or the lease term if shorter. The interest element of the lease rental is included in the profit and loss account. All other leases are operating leases and the costs in respect of operating leases are charged on a straight line basis over the lease term.

Stock and bloodstock

Stock and bloodstock are stated at the lower of cost and net realisable value. Provision is made for obsolete, defective and slow moving stock where necessary.

Long term incentive schemes

Amounts provided in relation to long term incentive schemes represent sums that had been allocated to two of the executive directors by the remuneration committee. Provisions were made each year in accordance with the agreed allocations as determined by the remuneration committee. The schemes were paid out in full and closed in December 2008.

Deferred taxation

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.

A net deferred tax asset is recognised as recoverable only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits against which to recover carried forward tax losses and from which future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the 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 an undiscounted basis.

Notes to the financial statements for the year ended 31 December 2008 (continued)**1 Accounting policies (continued)****Retirement benefits**

The company operates both defined benefit schemes and a defined contribution scheme on behalf of the Ascot Authority (Holdings) Limited group employees.

Details of the pension schemes for the company are set out in note 19 to the financial statements.

The pension cost charge for the defined contribution scheme disclosed in note 19 represents contributions payable by the group to the fund.

Defined benefit pension schemes' assets are measured using market value. Pension schemes' liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance costs. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

Related party disclosures

The company is exempt under the terms of paragraph 3(c) of FRS 8 from disclosing related party transactions with entities that are part of Ascot Authority (Holdings) Limited group, or investees of the group.

Cash flow statement

The company is a wholly owned subsidiary of Ascot Authority (Holdings) Limited and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996).

2 Turnover

The turnover is attributable to the principal activities of the company and derived wholly within the United Kingdom. Turnover is derived from only one class of business.

Notes to the financial statements for the year ended 31 December 2008 (continued)

3 Operating loss

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| Operating loss is stated after charging/(crediting): | | |
| Wages and salaries | 2,750 | 2,356 |
| Social security costs | 285 | 255 |
| Other pension costs (see note 19) | 271 | 355 |
| Staff costs | 3,306 | 2,966 |
| Depreciation of owned tangible fixed assets (see note 8) | 14,641 | 14,365 |
| Credit of HBLB and other grants (see note 14) | (1,130) | (901) |
| Depreciation net of amortisation of capital grants | 13,511 | 13,464 |
| Profit on disposal of tangible fixed assets | - | (3) |
| Operating lease charges | | |
| – Plant and machinery | 156 | 86 |
| – Land and buildings | 1,100 | 1,100 |
| Auditors' remuneration | | |
| – Fees payable to company's auditors for the audit of the company's financial statements | 38 | 40 |
| – Fees payable to company's auditors and its associates for other services: Services relating to taxation | 27 | 46 |

Employment costs

The employment costs disclosed above take into account amounts recharged by Ascot Racecourse Limited to Ascot Authority (Holdings) Limited, Ascot Racecourse Estates Limited and Ascot Racecourse Estates (Property Developments) Limited to reflect the services provided by the executive directors to these companies and a management charge to reflect the service of other staff to these group companies.

Exceptional other operating income

Other operating income comprises rents of £65,000 (2007: £69,000) and exceptional income of £nil (2007: £983,000). The exceptional income in 2007 related to the Company receiving £983,000, being its share of the value of a lease surrender premium on land in the New Mile Road.

Notes to the financial statements for the year ended 31 December 2008 (continued)

4 Directors' emoluments

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| Aggregate emoluments | 477 | 386 |
| Company pension contributions to money purchase scheme | 55 | 39 |
| | 532 | 425 |

The emoluments disclosed above represent amounts paid to the directors of the company less amounts recharged to other companies in the Group to reflect the services of the directors of Ascot Racecourse Limited to those companies.

The total retirement contributions due for all directors of Ascot Racecourse Limited who are members of the money purchase scheme have been disclosed above.

Retirement benefits are accruing to one (2007: one) director under a defined benefit scheme and two (2007: two) directors under a money purchase scheme.

Highest paid director

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| Aggregate emoluments | 331 | 274 |
| Company pension contributions to money purchase scheme | 36 | - |
| Accrued pension at the year end | - | 17 |
| | 367 | 291 |

The emoluments disclosed above exclude amounts awarded in accordance with a Long Term Incentive Scheme. These are disclosed in note 13.

5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

| By activity | 2008 Number | 2007 Number |
|--------------------|----------------|----------------|
| Administration | 69 | 67 |
| Course and grounds | 14 | 14 |
| | 83 | 81 |

6 Interest payable and similar charges

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| Interest payable on loans from group undertakings | 10,887 | 10,688 |

Notes to the financial statements for the year ended 31 December 2008 (continued)

7 Tax on loss on ordinary activities

| | 2008 | 2007 |
|---|-------|---------|
| | £'000 | £'000 |
| Current tax: | | |
| UK corporation tax on loss for the year | - | - |
| Adjustment in respect of previous periods | - | 13 |
| Total current tax charge for the financial year | - | 13 |
| Deferred tax: | | |
| Origination and reversal of timing differences | (351) | (2,262) |
| Change in tax rate – impact on deferred tax liabilities | - | (13) |
| Adjustment in respect of previous periods | 165 | (72) |
| Deferred tax excluding that relating to pension schemes (note 13) | (186) | (2,347) |
| Pension contribution relief in excess of pension charge (note 13) | 10 | 368 |
| Total deferred tax credit | (176) | (1,979) |
| Tax credit on loss on ordinary activities | (176) | (1,966) |

The tax assessed for the year is higher (2007: higher) than the standard effective rate of corporation tax in the United Kingdom for the year ended 31 December 2008 of 28.5% (2007:30%). The differences are explained below:

| | 2008 | 2007 |
|--|----------|----------|
| | £'000 | £'000 |
| Loss on ordinary activities before tax | (10,951) | (12,044) |
| Loss on ordinary activities multiplied by the standard rate of tax in the UK 28.5% (2006: 30%) | (3,121) | (3,613) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 987 | 1,018 |
| Accelerated capital allowances | 1,380 | 1,518 |
| Pension contribution relief in excess of pension charge | (10) | (368) |
| Other timing differences | (17) | 744 |
| Adjustment in respect of previous periods | - | 13 |
| Group relief surrendered for which no consideration has been received | 781 | 701 |
| Current tax charge for the financial year | - | 13 |

Current year deferred tax asset unprovided comprises:

| | 2008 | 2007 |
|--|-------|-------|
| | £'000 | £'000 |
| Excess of depreciation over capital allowances claimed | 212 | - |
| Losses | 779 | - |
| Total | 991 | - |

Notes to the financial statements for the year ended 31 December 2008 (continued)

7 Tax on loss on ordinary activities (continued)

Factors that may affect future tax charges:

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the company's loss for this accounting period is taxed at an effective rate of 28.5% and future profits or losses will be taxed at 28%.

In 2008, as in 2007, depreciation exceeds capital allowances on eligible fixed assets as the company intends not to claim capital allowances in full.

8 Tangible fixed assets

| | Lease Premium £'000 | Leasehold Improve- ments £'000 | Machinery and equipment £'000 | Fixtures & office equipment £'000 | Motor vehicles £'000 | Total £'000 |
|-------------------------------------|---------------------------|---|--|--|----------------------------|----------------|
| Cost | | | | | | |
| 1 January 2008 | 135,521 | 18,076 | 70,427 | 12,743 | 62 | 236,829 |
| Additions | - | 1,978 | 487 | 391 | 18 | 2,874 |
| Disposals | - | (8) | - | - | (25) | (33) |
| At 31 December 2008 | 135,521 | 20,046 | 70,914 | 13,134 | 55 | 239,670 |
| Accumulated depreciation | | | | | | |
| At 1 January 2008 | 13,157 | 4,638 | 8,101 | 3,252 | 13 | 29,161 |
| Charge for the year | 7,895 | 928 | 4,745 | 1,057 | 16 | 14,641 |
| Disposals | - | (2) | - | - | (25) | (27) |
| At 31 December 2008 | 21,052 | 5,564 | 12,846 | 4,309 | 4 | 43,775 |
| Net book amount | | | | | | |
| At 31 December 2008 | 114,469 | 14,482 | 58,068 | 8,825 | 51 | 195,895 |
| At 31 December 2007 | 122,364 | 13,438 | 62,326 | 9,491 | 49 | 207,668 |

Assets purchased under hire purchase agreements are included in the above at cost of £140,000 (2007: £140,000) and net book amount of £111,000 (2007: £125,000).

9 Stock

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| Bloodstock | 348 | 438 |
| Finished goods and goods held for resale | - | 98 |
| | 348 | 536 |

Notes to the financial statements for the year ended 31 December 2008 (continued)
10 Debtors

| | 2008 | 2007 |
|--------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Trade debtors | 3,226 | 4,085 |
| Other debtors | - | 2,200 |
| Prepayments and accrued income | 958 | 933 |
| | 4,184 | 7,218 |

11 Creditors – Amounts falling due within one year

| | 2008 | 2007 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Trade creditors | 706 | 811 |
| Hire purchase | 32 | 32 |
| Other taxation and social security | 1,329 | 511 |
| Other creditors | 22 | 35 |
| Accruals | 1,328 | 2,218 |
| Deferred income | 14,040 | 15,209 |
| Retentions | 148 | 135 |
| | 17,605 | 18,951 |

12 Creditors – Amounts falling due after one year

| | 2008 | 2007 |
|-----------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Amounts due to group undertakings | 171,287 | 174,756 |
| Hire purchase | - | 31 |
| Deferred income | 4,401 | 6,176 |
| | 175,688 | 180,963 |

Amounts due to group undertakings are unsecured and repayable by 2023. Interest is charged at 0.5% above the rate paid by Ascot Authority (Holdings) Limited to the external lender.

Notes to the financial statements for the year ended 31 December 2008 (continued)

13 Provisions for liabilities and charges

| | Deferred taxation £'000 | Long term incentive schemes £'000 | Total £'000 |
|---|-------------------------------|--|----------------|
| At 1 January 2008 | 186 | 216 | 402 |
| (Credited)/charged to the profit and loss account | (186) | 79 | (107) |
| Amounts utilised during the year | - | (295) | (295) |
| At 31 December 2008 | - | - | - |

Long term incentive schemes

Amounts provided in relation to long term incentive schemes represent sums that have been allocated to two of the executive directors by the remuneration committee.

Provisions were made each year in accordance with the agreed allocations as determined by the remuneration committee. The schemes were paid out in full and closed in December 2008.

Deferred taxation

Deferred taxation provided in the financial statements, and the amount unprovided/(unrecognised) of the total potential liability/(asset) are as follows:

| | Amount provided/(recognised) | | Amount unprovided/(unrecognised) | |
|---|---------------------------------|---------------|-------------------------------------|---------------|
| | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 |
| Excess of capital allowances over depreciation | - | 1,155 | (212) | - |
| Other timing differences | 741 | 725 | - | - |
| Losses | (741) | (1,694) | (779) | - |
| Deferred tax excluding that relating to pension surplus/(deficit) | - | 186 | (991) | - |

It is expected that it will take some time for tax losses to be relieved and therefore, due to the uncertainty over recovery, no net deferred tax asset has been recognised in the balance sheet as at 31 December 2008.

Notes to the financial statements for the year ended 31 December 2008 (continued)

13 Provisions for liabilities and charges (continued)

Deferred taxation (continued)

Deferred tax (liability)/asset relating to pension asset:

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| At 1 January | (41) | 297 |
| Deferred tax charged to the profit and loss account | (10) | (368) |
| Deferred tax credited to the statement of recognised gains and losses | 13 | 30 |
| At 31 December | (38) | (41) |

The deferred tax liability of £38,000 (2007: £41,000) has been deducted in arriving at the net pension surplus on the balance sheet (see note 19).

The standard rate of Corporation Tax in the UK changed from 30% to 28% from 1 April 2008. Deferred tax balances are measured at 28%.

14 Deferred capital grants and contributions

The movements on capital grants and capital contributions received from the Horserace Betting Levy Board and other sources are as follows:

| | Total grants received £'000 | Accumulated credit to profit and loss account £'000 | Net grants £'000 |
|---|-----------------------------------|---|---------------------|
| At 1 January 2008 | 30,529 | (18,112) | 12,417 |
| Received during the year | 1,589 | - | 1,589 |
| Loan converted into capital grant | 2,000 | - | 2,000 |
| Credited to the profit and loss account | - | (1,130) | (1,130) |
| Balance at 31 December 2008 | 34,118 | (19,242) | 14,876 |

Grants are made by the HBLB by virtue of the fixtures that take place at each particular venue. At any point in time, Ascot racecourse has a contingent asset, amounting to total income held on its behalf by the HBLB. Ascot racecourse is entitled to claim amounts, by way of grant, equal to that spent on qualifying expenditure. At the year end, Ascot Racecourse Limited had £1,207,000 (2007: £1,135,000) of grant entitlements that had not been claimed.

Capital Contributions have been received from third parties towards certain capital expenditure. Under the terms of these agreements reducing amounts of these contributions are repayable should the contracts with them for the supply of services be terminated. At 31 December 2008 the amount repayable in such circumstances was £4,864,000 (2007: £5,486,000).

Notes to the financial statements for the year ended 31 December 2008 (continued)

15 Called up equity share capital

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| Authorised | | |
| 100,000 ordinary shares of £1 each (2007: 100,000 ordinary shares) | 100 | 100 |
| Allotted, issued and fully paid | | |
| 100,000 ordinary shares of £1 each (2007: 100,000 ordinary shares) | 100 | 100 |

16 Reserves

| | Share premium account £'000 | Profit and loss account £'000 |
|--|-----------------------------------|-------------------------------------|
| At 1 January 2008 | 1,340 | 3,299 |
| Loss for the financial year | - | (10,775) |
| Actuarial losses on the pension schemes | - | (48) |
| Movement on deferred tax relating to pension schemes | - | 13 |
| At 31 December 2008 | 1,340 | (7,511) |
| Pension asset | | 97 |
| Profit and loss reserve excluding pension asset | | (7,608) |

17 Reconciliation of movements in equity shareholders' funds

| | 2008 £'000 | 2007 £'000 |
|--|----------------|---------------|
| Loss for the financial year | (10,775) | (10,078) |
| Actuarial losses on pension schemes | (48) | (102) |
| Movement on deferred tax relating to pension schemes | 13 | 30 |
| Net reduction to equity shareholders' funds | (10,810) | (10,150) |
| Opening equity shareholders' funds | 4,739 | 14,889 |
| Closing equity shareholders' funds | (6,071) | 4,739 |

Notes to the financial statements for the year ended 31 December 2008 (continued)

18 Financial commitments

At 31 December 2008 the company has annual commitments under non-cancellable operating leases of assets expiring as follows:

| | Land & buildings | | Other | |
|--------------------------|-----------------------------|--------------|--------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| | £'000 | £'000 | £'000 | £'000 |
| Within one year | - | - | 12 | 23 |
| Within two to five years | - | - | 93 | 49 |
| More than five years | 1,100 | 1,100 | - | - |
| | 1,100 | 1,100 | 105 | 72 |

19 Pension commitments

Defined contribution scheme

The company operates a defined contribution scheme for employees and directors. The scheme assets are held in a separately administered fund. Contributions paid in to the scheme during the year amounted to £192,000 (2007: £164,000). Outstanding contributions at the balance sheet date were £24,000 (2007: £nil).

Defined benefit schemes

The company operates one defined benefit scheme in the UK. The scheme was closed on 31 March 1999 and there are no active members. A full actuarial valuation was carried out as at 31 March 2006 and updated to 31 December 2008 by Punter Southall, independent consulting actuaries. In addition to this scheme there is one executive who accrued a defined benefit pension in 2008.

The total contributions made by the company in the accounting period were £113,000 (2007: £1,437,000). In previous years the company pre-paid contributions so that the scheme has been able to meet its cashflow requirements without having to disinvest existing assets. Future contributions to the scheme are agreed to continue at £300,000 per annum, although the company may pre-pay some contributions. Contributions are paid to an individual fund in respect of the executive. The next full valuation will be carried out at 31 March 2009 and the level of future contributions will be re-assessed.

The assumptions used to value the scheme and executive arrangement for accounting purposes are different to those that would be used to value the scheme on a funding basis. The methodology used to calculate some of the accounting assumptions is prescribed, whilst the funding basis aims to reflect the true costs that the scheme and executive arrangement are expected to face. In practice, an annuity is purchased from an insurance company when a member reaches retirement and the cost of this is reflected in the funding basis. FRS17 prescribes that the discount rate should be based on the yield on AA rated corporate bonds, whereas the funding basis would be based on the expected return on Government bonds. At 31 December 2008, the difference between these rates was high. This places a lower cost on the expected obligation on the accounting basis than the funding basis. This year, as per last year, the relative strength of the bases has lead to a surplus emerging on the accounting basis.

Notes to the financial statements for the year ended 31 December 2008 (continued)

19 Pension commitments (continued)

The scheme has no accruing liabilities and thus, in accordance with FRS17 paragraph 37, none of its surplus can be recognised on the Balance Sheet. FRS17 prescribes that the disclosures need to be adjusted for this requirement by including an amount in respect of this "irrecoverable surplus". Presenting part of the surplus as "irrecoverable" is simply an accounting concept and in practice all the assets of the scheme will be used to secure the benefits promised to members. All of the surplus in relation to the executive arrangement is recoverable.

As per paragraph 67(c) the expected return on assets of the scheme has been restricted to the value of the interest cost for the scheme (as there have been no past service costs, settlements, curtailments or increase in recoverable surplus). This only applies to the figures shown in the performance statements, and not to that shown in the reconciliation of the opening and closing value of the scheme assets. Paragraph 67(c) did not apply last year as the interest cost for the scheme was higher than the expected return on assets. In the executive arrangement no such adjustments are needed as all of the surplus is recoverable.

The major assumptions used by the actuary were (in nominal terms):

| | 2008 | 2007 |
|---|----------|----------|
| | % | % |
| Rate of increase of earnings cap | 3.0 | 3.5 |
| Rate of increase in pensions in payment | 3.0 | 3.0/3.5 |
| Discount rate | 6.1 | 5.8 |
| Rate of inflation | 3.0 | 3.5 |
| Average life expectancy at age 65 for current and future pensioners | 23 years | 23 years |
| Expected return on assets | 6.1 | 6.0 |

The assumptions used in determining the overall expected return of the scheme have been set with reference to yields available on government bonds and appropriate risk margins.

Notes to the financial statements for the year ended 31 December 2008 (continued)

19 Pension commitments (continued)

The assets in the scheme and the executive arrangement and the expected rates of return were:

| | Long term rate of return Expected at 31 December 2008 % | Value at 31 December 2008 £'000 | Long term rate of return expected at 31 December 2007 % | Value at 31 December 2007 £'000 |
|---|--|---|--|--|
| Equities | 6.8 | 124 | 7.4 | 181 |
| Bonds | 6.2 | 2,435 | 5.8 | 2,444 |
| Cash | 2.0 | 76 | 5.5 | 24 |
| Other | 6.8 | 76 | 7.4 | 153 |
| Total market value of assets | | 2,711 | | 2,802 |
| Present value of funded schemes' liabilities | | (2,214) | | (2,323) |
| Surplus in schemes | | 497 | | 479 |
| Unrecognised surplus | | (362) | | (342) |
| Net pension asset recognised before tax | | 135 | | 137 |
| Related deferred tax liability | | (38) | | (41) |
| Net pension asset | | 97 | | 96 |

Reconciliation of present value of the schemes' liabilities

| | 2008 £'000 | 2007 £'000 |
|----------------------|---------------|---------------|
| 1 January | 2,323 | 3,666 |
| Current service cost | 79 | 78 |
| Interest cost | 137 | 165 |
| Actuarial gain | (324) | (375) |
| Benefits paid | (1) | - |
| Settlements | - | (1,211) |
| 31 December | 2,214 | 2,323 |

Notes to the financial statements for the year ended 31 December 2008 (continued)

19 Pension commitments (continued)

Reconciliation of fair value of the schemes' assets

| | 2008 | 2007 |
|------------------------------------|-------|---------|
| | £'000 | £'000 |
| 1 January | 2,802 | 2,677 |
| Expected return on schemes' assets | 171 | 147 |
| Actuarial loss | (374) | (135) |
| Benefits paid | (1) | - |
| Contributions paid by employer | 113 | 1,437 |
| Settlements | - | (1,324) |
| 31 December | 2,711 | 2,802 |

The actual return on schemes' assets over the period was (£203,000) (2007: £12,000).

Analysis of the amount charged to operating loss

| | 2008 | 2007 |
|--------------------------------------|-----------|------------|
| | £'000 | £'000 |
| Current service cost | 79 | 78 |
| Loss on settlements and curtailments | - | 113 |
| Total operating charge | 79 | 191 |

Analysis of the amount credited/(charged) to other finance income/(costs)

| | 2008 | 2007 |
|--|-----------|-------------|
| | £'000 | £'000 |
| Expected return on pension schemes' assets | 149 | 147 |
| Interest on pension schemes' liabilities | (137) | (165) |
| Net interest income/(charge) | 12 | (18) |

Analysis of the amount recognised in statement of total recognised gains and losses

| | 2008 | 2007 |
|---|-------------|--------------|
| | £'000 | £'000 |
| Actuarial (losses)/gains | (50) | 240 |
| Change in unrecognised surplus | (20) | (342) |
| Effect of paragraph 67(c) | 22 | - |
| Actuarial loss recognised in the STRGL | (48) | (102) |

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £1,009,000 (2007: £961,000).

Notes to the financial statements for the year ended 31 December 2008 (continued)
19 Pension commitments (continued)
Amounts for current and previous four years

| | 2008 £000 | 2007 £000 | 2006 £000 | 2005 £000 | 2004 £000 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Defined benefit obligation | (2,214) | (2,323) | (3,666) | (4,313) | (3,512) |
| Fair value of schemes' assets | 2,711 | 2,802 | 2,677 | 3,079 | 2,460 |
| Surplus/(deficit) in the schemes | 497 | 479 | (989) | (1,234) | (1,052) |
| Gain/(loss) on defined benefit obligation due to membership experience being different to that expected | 103 | 14 | (52) | (57) | (212) |
| Gain/(loss) as a percentage of defined benefit obligation | 5% | 1% | (1%) | (1%) | (6%) |
| Gain/(loss) on defined benefit obligation due to change of assumptions used to value the schemes' benefits | 221 | 361 | 32 | (532) | (70) |
| Gain/(loss) as a percentage of defined benefit obligation | 10% | 16% | 1% | (12%) | (2%) |
| Total gain/(loss) on defined benefit obligation due to experience | 324 | 375 | (20) | (589) | (282) |
| Gain/(loss) as a percentage of defined benefit obligation | 15% | 16% | (1%) | (14%) | (8%) |
| Gain/(loss) on scheme assets due to actual return over period being different to that expected | (374) | (135) | (168) | 175 | 25 |
| Gain/(loss) as a percentage of scheme assets | 14% | (5%) | (6%) | 6% | 1% |
| Total amount recognised in the statement of total recognised gains and losses | (48) | (102) | (188) | (414) | (257) |
| Percentage of the defined benefit obligation | (2%) | (4%) | (5%) | (10%) | (7%) |

Notes to the financial statements for the year ended 31 December 2008 (continued)

20 Ultimate parent company and controlling party

The immediate parent undertaking is Ascot Authority (Holdings) Limited which is also the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of Ascot Authority (Holdings) Limited are available from The Company Secretary, Ascot, Ascot Racecourse, Berkshire SL5 7JX.

The Duke of Devonshire, M E T Davies and J R Weatherby are non beneficial Trustees of the Ascot Authority a body which owns the entire share capital of Ascot Authority (Holdings) Limited. The Ascot Authority is therefore the ultimate parent undertaking of the group and the above Trustees acting collectively are the ultimate controlling party.

The Ascot Authority does not prepare consolidated financial statements and its financial statements are not publicly available.