

Company Registration No 07997040

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017



ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

DIRECTORS AND ADVISERS

Directors

P C O'Driscoll
S J Nahum
J A Reuben
D A Thorpe
M J Cruddace
K S Robertson
M Spincer

Secretary

M J Langridge

Company number

07997040

Registered Office

4th Floor
Millbank Tower
21-24 Millbank
London
SW1P 4QP

Registered Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

CONTENTS

	Page
Strategic report	1 -2
Directors' report	3 - 4
Independent auditors' report	5 - 7
Consolidated profit and loss account	8
Statement of comprehensive income	9
Balance sheets	10
Statement of changes in equity	11 – 12
Consolidated cash flow statement	13
Notes to the consolidated cash flow statement	14
Notes to the financial statements	15 - 36

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their strategic report for the year ended 31 December 2017.

The principal activity of the company is that of a holding company. The principal activity of the group is the owning and operation of racecourses.

Review of the business

The directors are satisfied with the results for the year and the year end position of the group.

In 2017 turnover increased from £90.1m in 2016 to £100.5m. This is largely as a result of The Racing Partnership entering into new media rights agreements from 1 January 2017 combined with the acquisition of two greyhound stadia in July 2017. Profit on ordinary activities before interest decreased from £5.9m in 2016 to £3.7m.

Outside of turnover, the key performance indicator the directors use in assessing the group is Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). EBITDA achieved during the year was £15.8m (2016: £18.0m). This decline was principally driven by the timing of new media rights agreements with some of the major bookmakers for the first half of 2017, an increased prize money contribution and increased overheads, particularly labour costs, where the group has seen a further increase in the national minimum wage.

The Racing Partnership (TRP) traded for its first full financial year. TRP is a venture between Arena Racing and six independent racecourses comprising Fakenham, Hexham, Newton Abbot, Plumpton, Ripon and Towcester. The company provides a new channel to deliver Racing content to high street betting shops in the UK and Ireland.

TRP is now trading with all major UK bookmakers having signed multiyear non coterminous media agreements with the company. As well as delivering a successful horse racing product, TRP broadcasts a comprehensive greyhound fixture list.

It is considered that the Government's recent decision to reduce the maximum stake for Fixed Odds Betting Terminals to £2 will have an impact on the number of Licenced Betting Offices in operation across Britain. No official announcement on the implementation of this legislation has yet been made, but the Government is expected to suggest 2020.

Subsequent to the year end, in March 2018, the group's parent company acquired a majority stake in Vermantia, the leading provider of multi-channel content solutions worldwide. The deal ensures ARC expands its international distribution capacity through Vermantia's global partnership reach of 31 countries and agreements with more than 20 major gaming operators. Through the addition of Vermantia's CONNECT, the product offering, now including over 60,000 live events every year made up of high-quality horseracing and greyhound racing from the US, Australia, South Africa and the UK, all of which is supported by the widest portfolio of virtual sports in the industry.

In May 2018, the group acquired Ffos Las Racecourse. The Carmarthenshire course opened in 2009 and was, at the time, the first new racecourse in Britain in over 80 years. A flat oval, a mile and a half around, Ffos Las hosts a total of 19 fixtures in 2018, six flat and thirteen jumps. Feature races include the Ladbrokes Welsh Champion Hurdle in October as well as the West Wales National, which takes place during Easter.

The directors are looking forward to the future with confidence.

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Principal risks and uncertainties

The group operates in the sporting and leisure sector within the UK and as such faces the same risks as other similar businesses, primarily economic welfare, the availability of disposable income and competing interests for the leisure pound.

In addition, as with any business that is conducted outdoors in the UK, a further risk is that of weather related abandonments. It is impossible to mitigate this risk but the group does allow for a certain number of abandonments when completing its business plans.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and credit risk. The financial risk management objectives and policies for each of these risks are described in more detail below.

Interest rate risk

Given the current low interest rate economic climate, hedging for interest risk is not deemed necessary, although the position is kept under regular review by the Board.

Liquidity risk

Liquidity risk is managed centrally. The current loan facilities have been agreed at appropriate levels given the group's forecasted operating cash flows, loan repayments, expected future capital expenditure and trading income over the course of the foreseeable future

Credit risk

Due to the nature of the group's income streams, the exposure to credit risk is considered minimal. One of the main sources of income is received from the HBLB and media income from the transmission of pictures through the SIS and ATR contracts. Other third party income is derived from customers on race days and this is either paid in advance of the event or paid on the day. Of the income received by the group that is subject to credit risk, there are established credit procedures and collection policies in place which are reviewed and monitored centrally.

Going concern

Having reviewed the group's financial forecasts, expected future cash flows and received assurance from Omaha Business Holdings Corp that it will continue to make sufficient funds available to the group, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future thus the going concern basis has been adopted in preparing the financial statements for the year ended 31 December 2017.

On behalf of the board



P C O'Driscoll
Director

25/9/18

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors' present their report and financial statements for the year ended 31 December 2017.

Results and dividend

The consolidated profit and loss account for the year is set out on page 8.

No dividends were declared or paid during the year (2016: £nil).

Directors

The following directors have held office since 1 January 2017 to the date of this report except where indicated:

J A Reuben	
P C O'Driscoll	
S A J Nahum	
D A Thorpe	
K S Robertson	
S C Gill	(resigned 18 May 2018)
M J Cruddace	
M Spincer	
S A Higgins	(resigned 6 July 2017)

Matters covered in the strategic report

As permitted by S414c(11) of the Companies Act 2006, the directors have elected to disclose information, required to be in the directors' report by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008', in the strategic report.

Qualifying third party indemnity provisions

The company has put in place qualifying third party indemnity provisions for all of the directors of Arena Racing Corporation Limited and its subsidiaries.

Employee involvement

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Disabled persons

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitude and abilities.

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Auditors

The auditors, BDO LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

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 company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board



.....
P C O'Driscoll
Director

25/9/18
.....

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ARENA RACING CORPORATION LIMITED

Opinion

We have audited the financial statements of Arena Racing Corporation Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2017 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and company balance sheets, consolidated and company statements of changes in equity, consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ARENA RACING CORPORATION LIMITED (continued)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

- adequate accounting records have not been kept 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.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ARENA RACING CORPORATION LIMITED (continued)

Auditor's responsibilities for the audit of the financial statements

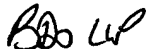
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Dominic Stammers (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London

28 September 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Turnover	3	100,549	90,053
Cost of sales		(68,859)	(55,121)
Gross profit		31,690	34,932
Administrative expenses		(34,237)	(31,818)
Operating loss/(profit)	4	(2,547)	3,114
Profit on sale of investment	12	3,057	-
Share of profit for the year in:			
Joint venture		605	2,633
Associated undertaking		2,587	147
Profit on ordinary activities before interest		3,702	5,894
Interest payable and similar charges	6	(19,531)	(17,991)
Loss on ordinary activities before taxation		(15,829)	(12,097)
Tax on loss on ordinary activities	9	(2,022)	92
Loss for the financial year		(17,851)	(12,005)
Profit/(loss) for the financial year attributable to:			
Non-controlling interests		(65)	93
Owners of the parent company		(17,786)	(12,098)

The profit and loss account has been prepared on the basis that all operations are continuing.

The notes on pages 14 to 36 form part of these financial statements

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Loss for the year	(17,851)	(12,005)
Other comprehensive income	-	-
Total comprehensive income for the year	(17,851)	(12,005)
Non-controlling interest	(65)	93
Owners of the parent company	(17,786)	(12,098)
	(17,851)	(12,005)

The notes on pages 14 to 36 form part of these financial statements

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

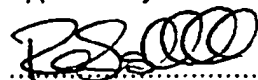
BALANCE SHEETS (Company number 07997040)

AS AT 31 DECEMBER 2017

		Consolidated		Company	
	Notes	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Fixed assets					
Intangible assets	10	38,806	38,099	-	-
Tangible assets	11	147,576	138,022	-	-
Investments	12	11,882	9,586	178,501	167,416
		<u>198,264</u>	<u>185,707</u>	<u>178,501</u>	<u>167,416</u>
Current assets					
Stocks	13	959	798	-	-
Debtors	14	48,657	38,727	2,401	112
Cash at bank and in hand		4,119	5,385	-	-
		<u>53,735</u>	<u>44,910</u>	<u>2,401</u>	<u>112</u>
Creditors: amounts falling due within one year	15	(20,028)	(43,876)	(268)	(45)
Net current assets		<u>33,707</u>	<u>1,034</u>	<u>2,133</u>	<u>67</u>
Total assets less current liabilities		<u>231,971</u>	<u>186,741</u>	<u>180,634</u>	<u>167,483</u>
Creditors: amounts falling due after more than one year	16	(303,360)	(240,279)	(266,684)	(236,245)
		<u>(71,389)</u>	<u>(53,538)</u>	<u>(86,050)</u>	<u>(68,762)</u>
Capital and reserves					
Called up share capital	19	-	-	-	-
Profit and loss account		(73,355)	(55,569)	(86,050)	(68,762)
Equity attributable to the owners of the parent company		<u>(73,355)</u>	<u>(55,569)</u>	<u>(86,050)</u>	<u>(68,762)</u>
Non-controlling interests		<u>1,966</u>	<u>2,031</u>	<u>-</u>	<u>-</u>
		<u>(71,389)</u>	<u>(53,538)</u>	<u>(86,050)</u>	<u>68,762</u>

The group has taken the exemption from presenting the company profit and loss account under section 408 of the Companies Act 2006. The company's loss for the year was £17,288,000 (2016: £15,927,000).

Approved by the board and authorised for issue on 25/9/18


.....

P C O'Driscoll

Director

The notes on pages 14 to 36 form part of these financial statements

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £'000	Profit and loss account £'000	Equity attributable to the owners of the parent company £'000	Equity attributable to non- controlling interests £'000	Total equity £'000
Balance at 1 January 2016	-	(43,471)	(43,471)	1,938	(41,533)
Year ended 31 December 2016					
Loss and total comprehensive income for the year	-	(12,098)	(12,098)	93	(12,005)
Balance at 31 December 2016	-	(55,569)	(55,569)	2,031	(53,538)
Year ended 31 December 2017					
Loss and total comprehensive income for the year	-	(17,786)	(17,786)	(65)	(17,851)
Balance at 31 December 2017	-	(73,355)	(73,355)	1,966	(71,389)

The notes on pages 14 to 36 form part of these financial statements

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2016	-	(52,835)	(52,835)
Year ended 31 December 2016			
Loss and total comprehensive income for the year	-	(15,927)	(15,297)
Balance at 31 December 2016	-	(68,762)	(68,762)
Year ended 31 December 2017			
Loss and total comprehensive income for the year	-	(17,288)	(17,288)
Balance at 31 December 2017	-	(86,050)	(86,050)

The notes on pages 14 to 36 form part of these financial statements

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Year ended 31 December 2017 £'000		Year ended 31 December 2016 £'000	
Cash flows from operating activities				
Cash generated from operations		2,849		(918)
Cash flows from investing activities				
Purchase of tangible fixed assets	(12,117)		(4,537)	
Purchase of subsidiary undertakings	(8,988)		-	
Receipts from sale of tangible fixed assets	20		5,022	
Receipt from sale of investment	3,467		-	
Interest received	1		-	
Dividends received	486		926	
Net cash from investing activities		(17,131)		1,411
Financing activities				
Repayment of other long term loans	(37,197)		(14,150)	
Funds received on other long term loans	50,172		12,862	
Net cash from financing activities		12,975		(1,288)
(Decrease)/increase in cash and cash equivalents		(1,307)		(795)
Cash and cash equivalents at beginning of year		5,385		6,180
Cash and cash equivalents at end of year		4,078		5,385
Cash and cash equivalents comprise:				
Cash at bank and in hand		4,119		5,385
Bank overdrafts		(41)		-
		4,078		5,385

The notes on pages 14 to 36 form part of these financial statements

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

1 Reconciliation of loss after taxation to cash generated from operations	2017 £'000	2016 £'000
Loss after taxation	(17,851)	(12,005)
Taxation charged/(credited)	2,022	(92)
Finance costs	19,531	17,991
Share of post tax result of joint venture and associated undertakings	(3,192)	(2,780)
Profit on sale of investment	(3,057)	-
Loss/(profit) on disposal of fixed assets	10	(108)
Depreciation of tangible fixed assets	5,673	5,992
Amortisation of intangible assets	<u>6,427</u>	<u>6,145</u>
	9,563	15,143
Interest paid on overdraft	(1)	(1)
Increase in stocks	(116)	(49)
Increase in debtors	(10,892)	(9,368)
Increase/(decrease) in creditors	<u>4,295</u>	<u>(6,643)</u>
Cash generated from operations	<u><u>2,849</u></u>	<u><u>(918)</u></u>

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 Statutory information

Arena Racing Corporation Limited is a private company limited by shares incorporated in England and Wales. The registered office and principal place of business is 4th Floor, Millbank Tower, 21-24 Millbank, London, SW1P 4QP.

2 Accounting policies

2.1 Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The Directors have drawn up the financial statements on a going concern basis, notwithstanding the net current liabilities of the Group.

The Directors consider it appropriate to draw up the financial statements on a going concern basis as they have received assurance from Omaha Business Holdings Corp, that it will continue to make sufficient funds available to enable the Group to meet its obligations as they fall due for the foreseeable future, and at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.2 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2017. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation. The group uses both merger and acquisition accounting in relevant circumstances. Under the principles of merger accounting the results of the subsidiaries are included in the profit and loss account for whole the financial period regardless of the date when control passes. Under acquisition accounting the results of subsidiaries acquired are included in the profit and loss account from the date control passes.

2.3 Associated undertakings

The group's share of profits less losses of associated undertakings is included in the consolidated profit and loss account, and the group's share of their net assets is included in the consolidated balance sheet. These amounts are taken from the latest audited financial statements of the undertakings concerned.

2.4 Judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

2 Accounting policies (continued)

2.4 Judgements and key sources of estimation uncertainty (continued)

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators or impairment of the company's tangible assets. Factors taken into account in reaching such a decision include the economic viability and expected future financial performance of the asset.
- Determine the extent to which deferred tax assets are recognised upon taxable profits that are expected to arise in the future.
- Determine whether leases entered into by the company are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine the fair values of consideration paid and assets and liabilities acquired through business combinations.

Other key sources of estimation and uncertainty:

- Tangible fixed assets

The company recognises fixed assets where such expenditure enhances the racecourse assets, whereas any expenditure classed as maintenance is expensed in the period incurred. Determining enhancement from maintenance is a subjective area. The estimated useful economic lives of fixed assets are based on management judgement and experience.

2.5 Turnover

Turnover principally relates to income derived directly from the holding of horse race meetings, including industry related funding from the HBLB, and the non-raceday use of the Racecourse facilities.

Income is recognised once a race meeting or non-raceday event has been held. This includes admissions revenue, other racing income and catering income. In certain circumstances income is taken over the life of the agreement to which it relates, such as rental income and annual memberships.

Media rights

Income received in respect of media rights over the broadcasts from the Group's racecourses is recognised within revenue in the period in which the relevant race meetings are held.

HBLB revenue

The HBLB provides revenue to racecourses to support the holding of race meetings. For taxation purposes, this revenue can be waived by racecourses, with HBLB approval, and transferred to 'capital credits', which is a tax-efficient scheme operated by the HBLB. These capital credits may be claimed by racecourses against expenditure on HBLB-approved capital projects and as a result, are not assessable to tax. It is the Company's policy that, as they are derived from and are dependent upon trading activities, capital credit receipts are recognised within revenue when the race meetings to which they relate are held. A corresponding receivable is recognised until the cash is received.

2.6 Goodwill

Acquired goodwill (representing the excess of the fair value of the consideration given over the fair value of the separate assets acquired) arising on consolidation is capitalised and included in intangible assets. Goodwill is amortised over 10 years; its useful economic life. Goodwill amortisation is included in administration expenses.

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

2 Accounting policies (continued)

2.7 Purchased racing fixtures

Purchased racing fixtures are shown at cost. Purchased racing fixtures are amortised in equal instalments over their useful economic life of 20 years. The amortisation is included in administration expenses.

2.8 Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is derecognised. Repairs and maintenance are charged to the profit and loss account during the period in which they are incurred. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold buildings	2% on cost for buildings, 5% on cost for track
Plant and machinery	5% to 25% on cost
Fixtures, fittings and equipment	5% to 25% on cost
Motor vehicles	25% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to the profit and loss account.

2.9 Impairment of fixed assets

At each reporting end date, the Group reviews the carrying amount of its tangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account unless the relevant asset is carried in a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

2 Accounting policies (continued)

2.10 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

2.11 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

2.12 Stock

The closing stock is stated at the lower of cost and net realisable value. The cost includes all expenditure which has been incurred in bringing the stock to its present location and condition. Stock is valued using the first in first out method.

2.13 Pensions

The group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

2.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2.15 Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date, where applicable.

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

2 Accounting policies (continued)

2.15 Tax (continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2.16 Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2.17 Provisions

Provisions are recognised when the Group has a legal or constructive present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

2.18 Government grants

Grants are credited to deferred income. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

2.19 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

2 Accounting policies (continued)

2.20 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

2.21 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

2 Accounting policies (continued)

2.21 Financial Instruments (continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities 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 company after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

3 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax.

Turnover is analysed as follows:

Geographical area	United Kingdom		Europe		Total	
	2017	2016	2017	2016	2017	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Group turnover						
Sales to third parties	96,380	90,053	4,169	-	100,549	90,053
	<hr/>	<hr/>	<hr/>		<hr/>	<hr/>

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

4 Operating (loss)/profit	2017	2016
	£'000	£'000
Operating (loss)/profit is stated after charging:		
Inventory charged as an expense	5,994	4,387
Amortisation of intangible assets	6,427	6,145
Depreciation of tangible assets	5,673	5,992
Operating lease rentals	841	795
Auditors' remuneration	105	105
	<hr/>	<hr/>
5 Profit/(loss) on sale of fixed assets	2017	2016
	£'000	£'000
(Loss)/profit on sale of fixed assets	(10)	108
	<hr/>	<hr/>
	(10)	108
	<hr/>	<hr/>
6 Net Interest	2017	2016
	£'000	£'000
Receivable	(1)	-
Payable on bank overdrafts	1	1
Payable on other loans wholly repayable within five years	19,531	17,990
	<hr/>	<hr/>
	19,531	17,991
	<hr/>	<hr/>

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

7 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2017 Number	2016 Number
Salaried staff	519	460

The group employs casual staff on racedays. The number of casual staff varied between 40 and 408 (2016: 30 and 408). Casual staff are not included in the numbers stated above.

Employment costs	2017 £'000	2016 £'000
Wages and salaries	16,516	15,893
Social security costs	1,237	1,043
Other pension costs	215	204
	17,968	17,140

8 Directors' remuneration

	2017 £'000	2016 £'000
Amounts paid to third parties in respect of directors' services	110	120

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

9 Taxation	2017 £'000	2016 £'000
Current tax	-	-
Deferred tax	2,022	(92)
Total tax	2,022	(92)
 Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(15,829)	(12,097)
 Loss on ordinary activities before taxation multiplied by the effective rate of UK corporation tax of 19.25% (2016: 20%)	(3,047)	(2,419)
Effects of:		
Non-deductible expenses	1,162	1,871
Prior year movements	541	-
Restricted interest	2,823	-
Non-taxable income	86	(491)
Tax losses utilised	(3)	871
Investment properties	(307)	76
Rate change	767	-
Total tax charge/(credit) for the period	2,022	(92)

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

10 Intangible fixed assets Group

	Goodwill £'000	Purchased Fixtures £'000	Total £'000
Cost			
At 1 January 2017	93,499	1,400	94,899
On acquisition	7,134	-	7,134
At 31 December 2017	<u>100,633</u>	<u>1,400</u>	<u>102,033</u>
Amortisation			
At 1 January 2017	56,648	152	56,800
Charge for the year	6,357	70	6,427
At 31 December 2017	<u>63,005</u>	<u>222</u>	<u>63,227</u>
Net book value			
At 31 December 2017	<u>37,628</u>	<u>1,178</u>	<u>38,806</u>
At 31 December 2016	<u>36,851</u>	<u>1,248</u>	<u>38,099</u>

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

11 Tangible fixed assets Group

	Freehold land and buildings £'000	Assets under construction £'000	Plant, machinery, fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2017	134,348	1,183	43,357	681	179,569
Acquisition of subsidiaries	2,858	-	282	-	3,140
Additions	38	10,819	1,224	36	12,117
Disposals	-	-	(7)	(80)	(87)
At 31 December 2017	137,244	12,002	44,856	637	194,739
Depreciation					
At 1 January 2017	14,654	-	26,372	521	41,547
Charge for the year	2,977	-	2,643	53	5,673
On disposals	-	-	(1)	(56)	(57)
At 31 December 2017	17,631	-	29,014	518	47,163
Net book value					
At 31 December 2017	119,613	12,002	15,842	119	147,576
At 31 December 2016	119,694	1,183	16,985	160	138,022

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

12 Fixed asset investments Group

	Associated undertakings £'000	Joint ventures £'000	Total £'000
Cost			
At 1 January 2017	-	1,580	1,580
Disposals	-	(410)	(410)
Transfers	1,170	(1,170)	-
At 31 December 2017	1,170	-	1,170
Share of profit			
At 1 January 2017	4	8,002	8,006
Dividend received	-	(486)	(486)
Profit for the year	2,587	605	3,192
Transfer	8,121	(8,121)	-
At 31 December 2017	10,712	-	10,712
Net book value			
At 31 December 2017	11,882	-	11,882
At 31 December 2016	4	9,582	9,586

Disposal of investment

On 14 February 2017, the group disposed of part of its investment in Attheraces Holdings Limited for a cash consideration of £3,560,000. This reduced the share of investment to that of an associate.

The companies in which the group owns an equity share are as follows:

	Shares held	Country of registration or incorporation	Principal activity
Attheraces Holdings Limited	46.43%	England and Wales	Racing broadcaster
Racecourse Data Company Limited	9.09%	England and Wales	Licensing and control of pre-raceday data

The registered address of Attheraces Holdings Limited is Millbank Tower, 21-24 Millbank, London, SW1P 4QP.

The registered address of Racecourse Data Company Limited is 10th Floor, The Met Building, 22 Percy Street, London, W1T 2BU.

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

12 Fixed asset investments (continued)

Company	Shares in group undertakings £'000
Cost and net book value	
At 1 January 2017	167,416
Acquisitions	11,085
31 December 2017	<u>178,501</u>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Acquisition of subsidiary undertakings

On 31 July 2017, the company acquired 100% of Team Greyhound (Brough Park) Limited and 100% of The Regal Sunderland Stadium Limited for a consideration of £10,873,000. Both entities operate greyhound stadia. Since the acquisition, turnover included in the group income statement is £3,143,000, generating a net profit after tax of £371,000.

Analysis of the acquisition:

	Book and fair value £'000
Net assets at date of acquisition	
Tangible fixed assets	3,140
Stock	45
Debtors	649
Cash	611
Creditors	(486)
Deferred Tax	(8)
Net assets	<u>3,951</u>
Goodwill arising on acquisition	<u>7,134</u>
	<u>11,085</u>
Discharged by:	
Cash	9,390
Services provided in lieu of consideration	1,260
Deferred consideration	223
Costs associated with the acquisition	212
	<u>11,085</u>

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

12 Fixed asset investments (continued)

The company holds share capital in the following companies:

Company	Shares held		Country of registration or incorporation
	Class	%	
Arena Leisure Limited	Ordinary	100	England and Wales
Team Greyhounds (Brough Park) Limited	Ordinary	100	England and Wales
The Regal Sunderland Stadium Limited	Ordinary	100	England and Wales
All Weather Championships Limited	Ordinary	100	England and Wales
Expectanda Limited	Ordinary	100	England and Wales
Arena Leisure Catering Limited *	Ordinary	100	England and Wales
Arena Leisure Racing Limited *	Ordinary	100	England and Wales
Emina Estates Limited *	Ordinary	100	England and Wales
Galleon Hotels Limited *	Ordinary	100	England and Wales
Wingrove Properties Limited *	Ordinary	100	England and Wales
The Racing Partnership*	Ordinary	86	England and Wales
Arena Racing (Southwell) Limited *	Ordinary	100	England and Wales
The Doncaster Racecourse Management Company Limited *	Ordinary	81	England and Wales
Folkestone Race Course Limited *	Ordinary	100	England and Wales
Lingfield Park Limited *	Ordinary	100	England and Wales
Southwell Racecourse Limited *	Ordinary	100	England and Wales
Windsor Racing Limited *	Ordinary	100	England and Wales
Wolverhampton Racecourse Limited *	Ordinary	100	England and Wales
Worcester Racecourse Limited *	Ordinary	81	England and Wales
Attheraces Holdings Limited *	Ordinary	46.43	England and Wales
Racecourse Data Company Limited*	Ordinary	9.09	England and Wales

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

12 Fixed asset investments (continued)

The principal activity of these undertakings for the last relevant financial year was as follows:

Company	Principal activity
Arena Leisure Limited	Provision of management and operational services
Team Greyhounds (Brough Park) Limited	Operator of Newcastle Greyhound Stadium
The Regal Sunderland Stadium Limited	Operator of Sunderland Greyhound Stadium
All Weather Championships Limited	Dormant
Expectanda Limited	Dormant
Arena Leisure Catering Limited *	Racecourse Catering operations
Arena Leisure Racing Limited *	Racecourse operations
Emina Estates Limited *	Hotel operator
Galleon Hotels Limited *	Hotel operator
Wingrove Properties Limited *	Property investment
The Racing partnership*	Selling and provision of media rights
Arena Racing (Southwell) Limited *	Operator of Southwell racecourse
The Doncaster Racecourse Management Company Limited *	Operator of Doncaster racecourse
Folkestone Race Course Limited *	Operator of Folkestone racecourse
Lingfield Park Limited *	Operator of Lingfield racecourse and resort
Southwell Racecourse Limited *	Dormant
Windsor Racing Limited *	Operator of Royal Windsor racecourse
Wolverhampton Racecourse Limited *	Operator of Wolverhampton racecourse
Worcester Racecourse Limited *	Operator of Worcester racecourse
Attheraces Holdings Limited *	Racing broadcaster
Racecourse Data Company Limited*	Licensing and control of pre-raceday data

*Companies held through subsidiary undertakings

The registered address of all the above companies is Millbank Tower, 21-24 Millbank, London, SW1P 4QP with the exception of Racecourse Data Company Limited. The registered address of Racecourse Data Company Limited is 10th Floor, The Met Building, 22 Percy Street, London, W1T 2BU.

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

13 Stocks

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Goods for resale	959	798	-	-

14 Debtors

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade debtors	7,919	3,690	-	-
Amounts owed by related undertakings	25,263	23,264	-	-
Amounts owed by group undertakings	-	-	2,401	112
Corporation tax debtor	350	-	-	-
Other debtors	1,440	870	-	-
Prepayments and accrued income	9,702	4,890	-	-
	44,674	32,714	2,401	112
Amounts falling due after more than one year:				
Deferred tax	3,983	6,013	-	-
Aggregate amounts	48,657	38,727	2,401	112

Deferred Tax

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Accelerated capital allowances	1,541	1,991	-	-
Trading losses	2,576	4,463	-	-
Investment Property	(144)	(451)	-	-
Provisions	10	10	-	-
	3,983	6,013	-	-

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

14 Debtors (continued)

	Deferred Tax	
	Group	Company
	£'000	£'000
Balance at 1 January 2017	6,013	-
On acquisition of subsidiary undertakings	(8)	-
Recognised during the year	(2,022)	-
Balance at 31 December 2017	3,983	-

15 Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Bank overdraft	41	-	-	-
Other loans	-	30,647	-	-
Trade creditors	5,997	3,868	-	-
Amounts owed to related undertakings	896	514	20	-
Tax and social security	753	477	-	-
Corporation tax creditor	87	-	-	-
Other creditors	1,028	2,025	-	-
Accruals and deferred income	11,226	6,345	248	45
	20,028	43,876	268	45

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Other loans	300,754	237,601	266,684	236,245
Deferred income	2,606	2,678	-	-
	303,360	240,279	266,684	236,245

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

16 Creditors: amounts falling due after more than one year (continued)

Analysis of loans

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Repayable within one year	-	30,647	-	-
Repayable between one and five years	300,754	237,601	266,684	236,245
	<u>300,754</u>	<u>268,248</u>	<u>266,684</u>	<u>236,245</u>

The other loans are payable to TFB (Mortgages) Limited and Isle Properties Limited. Interest is accruing at 7%.

Deferred income represents two government grants:

	Group	
	2017	2016
	£'000	£'000
Objective One	764	784
Department of Environment	1,842	1,894
	<u>2,606</u>	<u>2,678</u>

The Objective One grant is being amortised over the life of the assets to which it relates at Doncaster racecourse. The initial grant received was £980,000.

The Department of Environment grant is being released over the life of the assets to which it relates at Wolverhampton racecourse. The initial grant received was £2,639,000.

17 Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately to those of the group in an independently administered fund. The pension costs charge represents contributions payable by the group to the fund.

There was a pension creditor at the year end amounting to £38,000 (2016: £24,000).

18 Reserves

Called up share capital

Represents the nominal value of equity shares issued.

Profit and loss account

Retained earnings represent the company's cumulative net gains and losses.

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

19 Share capital

Group and company

	2017	2016
	£	£
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1

20 Leasing agreements

Minimum lease payments under non-cancellable operating leases fall due as follows:

	Group	
	2017	2016
	£'000	£'000
Within one year	818	823
Between two and five years	2,881	3,002
In over five years	19,352	19,402
	<u>23,051</u>	<u>23,227</u>

Included in the above operating leases is a lease over the land at Doncaster Racecourse. This lease runs for a further 124 years.

21 Capital commitments

Capital commitments contracted but not accrued in these financial statements amount to £8,250,000 (2016: £nil).

22 Financial instruments

The group's financial instruments may be analysed as follows:

	2017	2016
	£'000	£'000
Financial assets		
Financial assets measured at amortised cost	<u>38,741</u>	<u>33,209</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>314,566</u>	<u>278,062</u>

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors and amounts owed by related undertakings.

Financial liabilities measured at amortised cost comprise other loans, bank overdrafts, trade creditors, other creditors, accruals and amounts owed to related undertakings.

Information regarding the group's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk, and foreign exchange risk is included in the Strategic report.

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

23 Control

The company's immediate parent company is Racing Holdings Limited, a company registered in the British Virgin Islands. The company's ultimate parent company is Omaha Business Holdings Corp., a company registered in the British Virgin Islands.

The registered address and principal place of business of Omaha Business Holdings Corp and Racing Holdings Limited is 2nd Floor, O'Neal Marketing Associates Building, PO Box 3174, Wickham's Cay II, Road Town, Tortola, British Virgin Islands.

24 Post balance sheet events

On 29 March 2018, the group disposed of two hotels held by Wingrove Properties Limited for a consideration of £11,600,000. The properties disposed were operated by Galleon Hotels Limited.

On 21 May 2018, the group purchased the entire issued share capital of Ffos Las Racecourse Limited. The purchase price was £4,500,000. This was funded through a drawdown of the loan facility with TFB (Mortgages).

Acquisition accounting for this entity has not been included in these financial statements as the acquisition occurred significantly after the financial year end.

25 Related party transactions

The company has taken advantage of the exemption available in FRS 102 whereby it has not disclosed transactions with any wholly owned group companies.

	Recharged costs		Recharged income	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
The Doncaster Racecourse Management Company Limited	(389)	1,695	3,581	1,721
Worcester Racecourse Limited	360	415	1,258	382
	Management charges		Balance due from/(to) related party	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
The Doncaster Racecourse Management Company Limited	825	528	27,275	19,630
Worcester Racecourse Limited	158	88	5,943	5,870

The directors receive remuneration for their services to the group from companies outside of the group. It is not practicable to allocate the proportion of their remuneration that relates to this group.

ARENA RACING CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

25 Related party transactions (continued)

The group owns an equity share in Attheraces Holdings Limited (ATR), a joint venture company. During the year, the group made sales to ATR amounting to £10,043,000 (2016: £6,584,000). The group also received a cash dividend during the year of £486,000 (2016: £450,000). On 14 February 2017, the group sold 2% of its shareholding in ATR to Sky Ventures Limited for a consideration of £3,560,000.

Included in creditors is an amount of £300,754,000 (2016: £237,601,000) due to TFB (Mortgages) Limited, a related company. Interest of £19,351,000 (2016: £15,892,000) was charged and has been capitalised on this amount.

Included in creditors is an amount of £nil (2016: £30,647,000) due to Isle Properties Limited, a related company. Interest of £nil (2016: £2,010,000) was charged and has been capitalised on this amount.

During the year ended 31 December 2017, the group paid rent of £148,000 (2016: £118,000) to Millbank Tower Limited, a company under common control. The balance outstanding at the year end was £44,000 (2016: £50,000).

During the year the group was charged rent on properties of £450,000 (2016: £550,000) by Isle Properties Limited, a company under common control. Included within debtors is prepaid rent paid to Isle Properties Limited of £127,000 (2016: £127,000). Included within creditors is an amount of £420,000 (2016: £98,000) due to Isle Properties Limited.

Included in creditors is an amount of £416,000 (2016: £416,000) due to Wellington Investments Limited, a related company.

Included in creditors is an amount of £1 (2016: £1) due to Stamford Investments Limited, a related company.

An amount of £5,673,000 (2016: £5,723,000) is included in debtors which is due from Aldersgate Investments Limited, a related company.