


PEARL BLOODSTOCK LIMITED

Report and Financial Statements

31 December 2012

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PEARL BLOODSTOCK LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

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PEARL BLOODSTOCK LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Sheikh Fahad bin Abdulla Al Thani
R M Levitt
D J L Redvers

REGISTERED OFFICE

8 Black Bear Court
Newmarket
Suffolk
CB8 9AF

BANKERS

Weatherbys Bank Limited
Sanders Road
Wellingborough
Northamptonshire
NN8 4BX

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge

PEARL BLOODSTOCK LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

ACTIVITIES

The principal activity of the company is training, breeding and racing of horses

BUSINESS REVIEW

In this second full year of racing the business has continued to focus on building up its racing and breeding talent pool. The directors and owner are disappointed with the overall performance of the business. However the bloodstock sales have shown some success and the directors are positive about the potential of the stock in the future.

As shown in the company's profit and loss account on page 7, the company's turnover has fallen by 30% compared with 2012. This is directly attributable to the bloodstock performing less well on the track and in the auction ring.

The company's key measurement of effectiveness of its operations is operating result before tax which has fallen by £2,564,543.

The company continues to be funded and supported by its parent and related parties which have lent the business a further £2,889,909 in the year. This enabled the business to purchase Robins Farm in May 2012. Accordingly it has cash at the year end of £699,806 (2011 - £2,094,163) and no non group borrowing.

There have been no significant events since the balance sheet date.

PRINCIPAL RISKS AND UNCERTAINTIES

The company operates in a highly competitive market, in which winnings cannot be guaranteed. The company manages this risk by using an expert to purchase racehorses of good pedigree which the directors hope to perform well on the track.

The company receives winnings from races outside the UK in euros, and receives proceeds from sales of horses outside the UK in euros and US dollars. It is therefore exposed to foreign exchange gains and losses. Where possible the company hedges this risk through paying for expenses in local currencies.

RESULTS AND DIVIDENDS

The loss after tax for the year was £1,866,708 (2011 - profit of £697,835). The directors do not propose a dividend for the year.

FUTURE PROSPECTS

The directors intend to continue to purchase and train racehorses, and enter into more races across the world.

DIRECTORS

The directors who served during the year were as follows:

Sheikh Fahad bin Abdulla Al Thani (appointed 28 February 2012)

R M Levitt

D J L Redvers

PEARL BLOODSTOCK LIMITED

DIRECTORS' REPORT

AUDITOR

Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board



R M Levitt

Director

30 September 2013

PEARL BLOODSTOCK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEARL BLOODSTOCK LIMITED

We have audited the financial statements of Pearl Bloodstock Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PEARL BLOODSTOCK LIMITED (continued)**

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit,



Andrew Swarbrick (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom

30 September 2017

PEARL BLOODSTOCK LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2012

	Note	2012 £	2011 £
TURNOVER	2	4,114,269	5,906,606
Cost of sales		<u>(5,706,317)</u>	<u>(5,043,177)</u>
Gross (loss) profit		(1,592,048)	863,429
Other operating expenses		<u>(269,308)</u>	<u>(163,044)</u>
OPERATING (LOSS) PROFIT	5	(1,861,356)	700,385
Interest payable		<u>(5,352)</u>	<u>(2,550)</u>
(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,866,708)	697,835
Tax on (loss) profit on ordinary activities	6	<u>-</u>	<u>-</u>
RETAINED (LOSS) PROFIT FOR THE FINANCIAL YEAR	12	<u>(1,866,708)</u>	<u>697,835</u>

All activities are derived from continuing operations

There are no other recognised gains and losses other than as stated in the profit and loss account

PEARL BLOODSTOCK LIMITED

BALANCE SHEET 31 December 2012

	Note	2012 £	2011 £
FIXED ASSETS			
Tangible assets	7	<u>3,348,775</u>	<u>-</u>
CURRENT ASSETS			
Stocks	8	4,830,646	5,502,984
Debtors	9	1,651,280	1,209,156
Cash at bank and in hand		<u>699,806</u>	<u>2,094,163</u>
		7,181,732	8,806,303
CREDITORS: amounts falling due within one year	10	<u>(11,620,937)</u>	<u>(8,030,025)</u>
NET CURRENT (LIABILITIES) ASSETS		<u>(4,439,205)</u>	<u>776,278</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,090,430)</u>	<u>776,278</u>
CAPITAL AND RESERVES			
Called up share capital	11	1,000	1,000
Profit and loss account	12	<u>(1,091,430)</u>	<u>775,278</u>
SHAREHOLDERS' (DEFICIT) FUNDS	13	<u>(1,090,430)</u>	<u>776,278</u>

The financial statements of Pearl Bloodstock Limited, registered number 7165856, were approved by the Board of Directors and authorised for issue on *30 September 2013*

Signed on behalf of the Board of Directors



Director
A.M. LEVITT

PEARL BLOODSTOCK LIMITED

CASH FLOW STATEMENT
Year ended 31 December 2012

	Note	2012 £	2011 £
Net cash inflow from operating activities	14	<u>1,959,770</u>	<u>1,406,790</u>
Returns on investments			
Interest paid		<u>(5,352)</u>	<u>(2,550)</u>
Net cash outflow from returns on investments		<u>(5,352)</u>	<u>(2,550)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		<u>(3,348,775)</u>	<u>-</u>
Net cash outflow from capital expenditure and financial investment		<u>(3,348,775)</u>	<u>-</u>
(Decrease) increase in cash		<u><u>(1,394,357)</u></u>	<u><u>1,404,240</u></u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2012 £	2011 £
(Decrease) increase in cash in the year	<u>(1,394,357)</u>	<u>1,404,240</u>
Change in net funds resulting from cash flows	<u>(1,394,357)</u>	<u>1,404,240</u>
Movement in net funds in the year	<u>(1,394,357)</u>	<u>1,404,240</u>
Net funds at 1 January 2012	<u>2,094,163</u>	<u>689,923</u>
Net funds at 31 December 2012	<u><u>699,806</u></u>	<u><u>2,094,163</u></u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January 2012 £	Cash flows £	At 31 December 2012 £
Cash at bank and in hand	<u>2,094,163</u>	<u>(1,394,357)</u>	<u>699,806</u>

PEARL BLOODSTOCK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding period.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Going concern

The directors are confident that the company has adequate resources to continue as a going concern on the undertaking that the parent company, Pearling Investments Ltd, will continue to provide financial support. A letter of support from the parent company, and the ultimate owner, has been obtained in which confirms his intention to provide financial support to the company for the foreseeable future, and a period of not less than 12 months from the signing of the accounts.

Having considered this, the directors are happy that the company will continue to receive support and resources from its parent company enabling it to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Tangible fixed assets

No depreciation is provided on freehold land.

For all other tangible fixed assets, depreciation is calculated to write down their cost to their estimated residual values. The rates of depreciation are as follows:

Freehold buildings	2% per annum on cost
Property improvements	4% - 25% per annum on cost

No depreciation has been charged in this year, however this will commence from 1 January 2013.

Stocks

Stocks comprise bloodstock held for the purpose of breeding, training and racing.

Livestock held for the purposes of breeding (primarily mares and foals) are classified under IAS 41 as biological assets. In accordance with the requirements of "IAS 41 Agriculture", all biological assets are held at fair value. The fair value of livestock is based on the estimated market value less estimated selling cost.

In this instance, all horses owned prior to October 2012 have been valued by an independent third party. Their inclusion in stock at the year end factors in commission costs to auctioneers were they to be sold. Horses purchased from October 2012 have been included at purchase cost less commission costs.

Horses owned for racing are classified under IAS 2 as stock and are stated at the lower of purchase cost and net realisable value.

A gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Due to the unique nature of each horse owned, the cost of replacing them is not ascertainable.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on all timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

PEARL BLOODSTOCK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

1. ACCOUNTING POLICIES (continued)

Foreign currency transactions

Transactions of the company denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

2. TURNOVER

Turnover represents amounts derived from the sale of bloodstock, and prizemoney and sponsorship which fall within the company's principal activities after deduction of value added tax.

	2012 £	2011 £
The geographical analysis of turnover is		
United Kingdom	3,113,280	3,323,650
Rest of Europe	166,851	372,075
Rest of the World	834,138	2,210,881
	<u>4,114,269</u>	<u>5,906,606</u>

3. DIRECTORS' REMUNERATION AND TRANSACTIONS

The directors were not remunerated for their services in the year or preceding year. However, details of transactions which took place during the year are disclosed in note 15.

4. EMPLOYEES

The only company employees in the year are the directors.

5. OPERATING (LOSS) PROFIT

	2012 £	2011 £
Operating (loss) profit is after charging :		
The analysis of auditor's remuneration is as follows		
Fees payable to the company's auditor for the audit of the company's annual accounts	6,250	6,250
	<u>6,250</u>	<u>6,250</u>

PEARL BLOODSTOCK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

6. TAX ON (LOSS) PROFIT ON ORDINARY ACTIVITIES

	2012 £	2011 £
Current taxation		
United Kingdom corporation at 20% (2011 - 20 25%)	-	-

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2012 £	2011 £
(Loss) profit on ordinary activities before tax	(1,866,708)	697,835
Tax at 20% (2011 - 20 25%) thereon	(373,342)	141,312
Effect of		
Profit (loss) arising from non taxable activity	355,376	(141,312)
Trading losses	17,966	-
Current tax for year	-	-

Factors that may affect future tax charges

The company has revenue losses to carry forward of £89,832 which are eligible for relief against future trading profits. A deferred tax asset of £17,966 has not been recognised due to the uncertainty over the generation of future qualifying profits.

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Property improve- ments £	Total £
Cost			
At 1 January 2012	-	-	-
Additions	3,279,438	69,337	3,348,775
At 31 December 2012	3,279,438	69,337	3,348,775
Accumulated depreciation			
At 1 January 2012 and 31 December 2012	-	-	-
Net book value			
At 31 December 2012	3,279,438	69,337	3,348,775
At 31 December 2011	-	-	-

8. STOCKS

	2012 £	2011 £
Bloodstock held for resale	4,830,646	5,502,984

PEARL BLOODSTOCK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

9. DEBTORS

	2012 £	2011 £
Due within one year		
Trade debtors	29,271	670,608
Amounts owed from related party	1,178,491	-
Value added tax	385,887	462,769
Prepayments	43,737	75,779
Other debtors	13,894	-
	<u>1,651,280</u>	<u>1,209,156</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Trade creditors	1,480,480	808,084
Amounts owed to parent company	7,954,849	7,064,940
Amounts owed to related parties	2,179,358	46,492
Accruals and deferred income	6,250	110,509
	<u>11,620,937</u>	<u>8,030,025</u>

11. CALLED UP SHARE CAPITAL

	2012 £	2011 £
Called up, allotted and fully paid 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

12. PROFIT AND LOSS ACCOUNT

	£
At 1 January 2012	775,278
Loss for the year	(1,866,708)
At 31 December 2012	<u>(1,091,430)</u>

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' (DEFICIT) FUNDS

	2012 £	2011 £
(Loss) profit for the financial year	(1,866,708)	697,835
Net (reduction in) addition to shareholders' funds	(1,866,708)	697,835
Opening shareholders' funds	776,278	78,443
Closing shareholders' (deficit) funds	<u>(1,090,430)</u>	<u>776,278</u>

PEARL BLOODSTOCK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

14. RECONCILIATION OF OPERATING (LOSS) PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 £	2011 £
Operating (loss) profit	(1,861,356)	700,385
Decrease (increase) in stocks	672,338	(1,822,984)
Increase in debtors	(442,124)	(804,272)
Increase in creditors	3,590,912	3,333,661
Net cash inflow from operating activities	<u>1,959,770</u>	<u>1,406,790</u>

15. RELATED PARTY TRANSACTIONS

In the year the company has traded commercially with businesses in which the directors have an interest. D J L Redvers is a director and shareholder of Tweenhills Farm & Stud Limited and R M Levitt is a director and shareholder of Mill House Bloodstock Services Limited. All three directors are also directors of Qatar Bloodstock Limited and Robins Farm Racing Ltd.

	Commissions and expenses 2012 £	Amounts in creditors 2012 £	Amounts in debtors 2012 £	Commissions and expenses 2011 £	Amounts owed 2011 £
Mr R Levitt	-	2,558	8,437	-	-
Mr D J L Redvers	356,248	147,497	5,645	219,950	728
Tweenhills Farm & Stud Limited	87,382	21,803	-	49,303	13,444
Mill House Bloodstock Services Limited	26,500	7,500	-	7,500	5,000
Robins Farm Racing Limited	-	31,821	204,409	-	-
Qatar Bloodstock Limited	-	2,000,000	960,000	-	-

Pearl Bloodstock Limited has received further funding in the year of £899,909 (2011 - £2,465,970) from its parent company Pearling Investments Limited. Additionally, as shown above, Qatar Bloodstock Limited made a loan of £2,000,000 to the business at an interest of 5% that is repayable in May 2013.

There are no further related party balances outstanding at the year end other than those disclosed in notes 9 and 10.

16. CONTROLLING PARTY

The immediate controlling party of Pearl Bloodstock Limited is Pearling Investments Limited, a company incorporated in Jersey.

The ultimate controlling party is Sheikh Fahad bin Abdulla bin Khalifa Al Thani.