

TOUR RACING LIMITED

Annual report and financial statements

31 December 2012

Company Registration No 4078205



Tour Racing Limited

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Directors and Officers

For the year ending 31 December 2012

Directors

Tour Racing Limited ("the Company")'s present Directors and those who served during the year are as follows

Andrew Griffith
Robert Tansey
Matthew Anderson
Jacques Raynaud
Graham McWilliam

Secretary

L Knight (appointed 14 March 2013)
D J Gormley (resigned 14 March 2013)

Registered Office

Grant Way
Isleworth
Middlesex
TW7 5QD

Bankers

Royal Bank of Scotland Plc
Edinburgh St Andrew Square
Edinburgh
EH2 2YB

Auditor

Deloitte LLP
Chartered Accountants
London
United Kingdom

Directors' report

The Directors present their Annual Report on the affairs of the Company, together with the financial statements and Auditor's Report for the year ended 31 December 2012

Business review and principal activities

Tour Racing Limited promotes a Great Britain based professional cycling team set up to compete in the International Cycle Union's Pro Tour cycling scene which had the ultimate goal of having a British winner of the Tour de France by 2013. Tour Racing was initially a wholly owned subsidiary of British Sky Broadcasting Limited ("BSkyB"), who committed £40m in a five year title sponsorship revenue agreement through to 31 December 2013. On 10 December 2009, the Company agreed with SKY Italia S r l ("SKY Italia") and News Corporation Europe, Inc ("Newscorp") to partner with BSkyB in the title sponsorship of the Sky professional cycling team ("Team Sky").

SKY Italia and Newscorp agreed to fund 25% and 15% respectively of the £40m sponsorship commitment to the Company. In 2009, the Company issued 25 shares to SKY Italia and 15 shares to Newscorp, with BSkyB retaining the remaining issued capital being 60 shares. All shares are being held with the same terms and voting rights. BSkyB Group still retains control of the Company and the Company is now recognised as a subsidiary of British Sky Broadcasting Group plc ("BSkyB Group").

Team Sky formally launched on 4 January 2010, and ended the 2012 season at the top of the UCI WorldTour Rankings. An unprecedented run of success culminated in an historic first and second at the Tour de France. Bradley Wiggins became the first Britain to win the prestigious event in a year which saw Team Sky also notch up their 100th victory in less than three years of competition. Following the year end the team has set about solidifying their reputation as the team to beat in cycling with Chris Froome winning the Tour of Oman. 2013 now sees additional focus for Team Sky on the cobbled Classics and the Giro d'Italia.

The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

Operating profit

Audited financial statements for the year to 31 December 2012 are set out on pages 7 to 24. An operating profit of £37,000 was recorded for the year (2011 operating profit of £102,000).

Balance Sheet

The Balance Sheet shows that the Company's shareholders' equity position at the year end is £nil (2011 equity of £nil). The Directors do not recommend the payment of a dividend for the year ended 31 December 2012 (2011 £nil).

Principal risks and uncertainties

The Company's activities expose it to financial risks, which are liquidity, foreign exchange, credit risk and operational risk.

Liquidity risk

The Company principally relies on the title sponsors to ensure that sufficient funds are available for ongoing operations and future developments. An investment agreement between the parties stipulates that quarterly payments in advance are to be made by the title sponsors based on the forecast quarterly cash flow requirement.

Directors' report (continued)

In addition to this, the Company relies on the BSKyB Treasury function to manage its liquidity and ensure that sufficient funds are available for ongoing operations and future developments. BSKyB currently has access to an undrawn £743 million revolving credit facility which is due to expire on 31 October 2017. The Company benefits from this liquidity through intra-group facilities and loans.

Foreign exchange risk

A significant proportion of the Company's revenues and operating costs are denominated in Euros. The exposure to foreign currency fluctuation is not managed through any formal hedging arrangement. However, the risk is mitigated to an extent by the natural hedging that arises from both revenues and operating costs being denominated in Euros. Specifically, any fluctuations arising in revenue as a result of foreign exchange movements will be partially offset by opposite fluctuations in operating costs.

Credit risk

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Operational risk

The Company's exposure to operational risks such as injuries to its riders and consequent inability to meet the performance criteria is mitigated through the existence and regular review of medical protocols agreed by all medical staff, maintaining a team of 25 to 30 riders to ensure there is always a sufficient number of fit riders to compete and meet the minimum performance criteria, rider contracts limiting the participation in activities that may endanger fitness or ability to compete, and rider contracts limiting the period over which fees will continue to be paid to riders who are unable to compete.

Directors

The Directors who served during the year are shown on page 1.

The Directors do not recommend the payment of a dividend in the current year (2011: £nil).

Going concern basis

The Company's business activities, together with the factors likely to affect its future development and performance, have been set out in the Business Review. The Directors' Report details the financial position of the Company, as well as the Company's objectives and policies, and details of its exposures to credit risk and liquidity risk.

After making enquiries, the Directors have formed a judgement at the time of approving the financial statements that the Company will have access to adequate resources, namely the title sponsorship commitment from BSKyB, SKY Italia and News Corporation, to cover any deficit between total costs and third party income, to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Auditor

In accordance with the provisions of Section 418 of the Companies Act 2006, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware, and

Directors' report (continued)

- 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 (as defined) and to establish that the Company's auditor is aware of that information

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

By Order of the Board

L Knight
Company Secretary



Grant Way
Isleworth
Middlesex
TW7 5QD

24 June 2013

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that Directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern

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 to 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 Tour Racing Limited

We have audited the financial statements of Tour Racing Limited for the year ended 31 December 2012 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 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. 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 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.

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 result for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

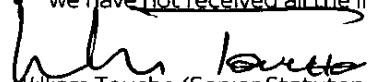
Opinion on other matters prescribed by the Companies Act 2006

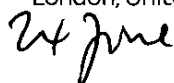
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.


William Touche (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

 24 June 2013

Income Statement

For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Revenue	2	21,398	16,680
Operating expense	3	(21,361)	(16,578)
Operating profit		37	102
Finance costs	4	-	(70)
Profit before tax	5	37	32
Taxation	6	(37)	(32)
Profit for the period attributable to equity shareholders		-	-

The accompanying notes are an integral part of this Income Statement

For the years ended 31 December 2012 and 2011, the Company did not have any items of Other Comprehensive Income

All results relate to continuing operations

Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital £'000	Retained earnings £'000	Total shareholders' equity(deficit) £'000
At 1 January 2011	-	-	-
Profit for the year	-	-	-
At 31 December 2011	-	-	-
Profit for the year	-	-	-
At 31 December 2012	-	-	-

The accompanying notes are an integral part of this Statement of Changes in Equity

Balance Sheet

As at 31 December 2012

	Notes	2012 £'000	2011 £'000
Non-current assets			
Intangible assets	9	637	1,297
Property, plant and equipment	10	541	1,072
		1,178	2,369
Current assets			
Trade and other receivables	11	1,659	751
Cash and cash equivalents		994	1,295
Deferred tax asset	7	85	-
		3,916	4,415
Total assets			
Current liabilities			
Trade and other payables	12	3,843	4,383
Current tax liability		73	22
Deferred tax liability	7	-	10
		3,916	4,415
Total liabilities			
Share capital	15	-	-
Reserves		-	-
		-	-
Shareholders' equity			
Total liabilities and shareholders' equity			
		3,916	4,415

The accompanying notes are an integral part of this Balance Sheet

The financial statements of Tour Racing Limited, registered number 4078205 were approved by the Board of Directors on 24 June 2013

Signed on behalf of the Board of Directors


Andrew Griffith
Director

Cash Flow Statement

Year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash (used in) generated from operations	16	(170)	3,743
Tax paid		(81)	-
Net cash (used in) from operating activities		(251)	3,743
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(10)
Purchase of intangible assets		(302)	(650)
Net cash used in investing activities		(302)	(660)
Cash flows from financing activities			
Loan repayment to parent company		-	(2,292)
Net cash used in financing activities		-	(2,292)
Net (decrease) increase in cash and cash equivalents		(553)	791
Cash and cash equivalents at the beginning of the year		1,295	614
Foreign exchange revaluation		252	(110)
Cash and cash equivalents at the end of the year		994	1,295

The accompanying notes are an integral part of this Cash Flow Statement

Notes to the financial statements

1. Accounting policies

Tour Racing Limited (the "Company") is a limited liability company registered in England and Wales and domiciled in the United Kingdom ("UK")

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), the Companies Act 2006 and Article 4 of the International Accounting Standard ("IAS") Regulations. In addition, the Company also complied with IFRS as issued by the International Accounting Standards Board ("IASB")

a) Basis of preparation

The financial statements have been prepared on an historical cost basis. The accounts have been prepared on the going concern basis (as set out in the Directors' Report)

The Company has adopted the new accounting pronouncements which became effective this year, none of which had any significant impact on the Company's results or financial position

b) Foreign currency translation

The Company's functional currency and presentational currency is pounds sterling. Trading activities denominated in foreign currencies are recorded in pounds sterling at the applicable monthly exchange rates. Monetary assets, liabilities and commitments denominated in foreign currencies at the balance sheet date are reported at the rates of exchange at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the date of the initial transaction. Gains and losses on retranslation of monetary assets and liabilities are included net in the profit or loss for the year.

c) Intangible assets

The transfer fees associated with the acquisition of riders are capitalised as intangible fixed assets. These costs are fully amortised in equal instalments over the period of the riders' initial contracts. These transfer payments are tested for impairment when there is an indicator of impairment and written down for impairment when the carrying amount exceeds the amount recoverable through use or sale.

Research expenditure is recognised in the income statement as the expenditure is incurred.

d) Property, plant and equipment ("PPE")

Owned assets

Property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment losses, other than those that are classified as held for sale, which are stated at the lower of carrying amount and fair value less costs to sell.

When an item of property, plant and equipment comprises major components having different useful economic lives, the components are accounted for as separate items of property, plant and equipment.

Notes to the financial statements

1. Accounting policies (continued)

d) Property, plant and equipment ("PPE") (continued)

Depreciation

Depreciation is provided to write off the cost, less estimated residual value, of property, plant and equipment on a straight-line basis over its estimated useful life. Assets that are not yet available for use are not depreciated. Principal useful economic lives used for this purpose are:

Motor vehicles	3-4 years
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e) Value in kind assets

Value in kind assets are recognised in accordance with the revenue accounting policy. Initial revenue recognition is based on management's judgement that all value in kind, as detailed within the sponsorship agreements, will be fully utilised within the terms of the agreements.

The fair value of the respective value in kind is determined as the price the Company would have paid for the comparable goods and services, net of VAT.

f) Financial assets and liabilities

Financial assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. At each balance sheet date, the Company assesses whether there is any objective evidence that any financial asset is impaired. Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the financial asset or liability. Financial assets are derecognised from the balance sheet when the Company's contractual rights to the cash flows expire or the Company transfers substantially all the risks and rewards of the financial asset. Financial liabilities are derecognised from the Company's balance sheet when the obligation specified in the contract is discharged, cancelled or expires.

g) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and are measured at amortised cost using the effective interest method. Trade and other receivables, with no stated interest rate, are measured at the original invoice amount if the effect of discounting is immaterial. An allowance account is maintained to reduce the carrying value of trade and other receivables for impairment losses identified from objective evidence, with movements in the allowance account, either from increased impairment losses or reversals of impairment losses, being recognised in the income statement.

h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank accounts, deposits receivable on demand and deposits with maturity dates of three months or less from the date of inception. Bank overdrafts that are repayable on demand and which form an integral part of the Company's cash management are included as a component of cash and cash equivalents where offset conditions are met.

Notes to the financial statements

1 Accounting policies (continued)

i) Trade and other payables

Trade and other payables are non-derivative financial liabilities and are measured at amortised cost using the effective interest method. Trade and other payables with no stated interest rate, are measured at the original invoice amount if the effect of discounting is immaterial.

j) Impairment

At each balance sheet date, and in accordance with IAS 36 "Impairment of Assets", the Company reviews the carrying amounts of all its assets, to determine whether there is any indication that any of those assets have suffered an impairment loss.

An impairment is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use. In assessing 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 risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

An impairment loss for an individual asset shall be reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognised and is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment to goodwill is not reversed.

k) Revenue recognition

Revenue, which excludes value added tax, represents the inflow of economic benefit from the Company's sponsorship agreements.

The amount of title sponsorship revenue the Company recognises in respect to its agreements with British Sky Broadcasting Limited ("BSkyB"), SKY Italia and News Corporation is limited to the recoverable expenses of the Company, net of any performance sponsorship or other income, including any value in kind sponsorship received.

Performance sponsorship revenue is recognised on a straight-line basis over the period of the performance sponsorship agreement.

l) Taxation, including deferred taxation

The Company's liability for current tax is based on taxable profit for the year, and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit. Temporary differences arising from goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the

Notes to the financial statements

1. Accounting policies (continued)

l) Taxation, including deferred taxation (continued)

temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to reflect an amount that is probable to be realised based on the weight of all available evidence. Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also included within equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

m) Critical accounting policies

Critical accounting policies are those that require significant judgement or estimates and potentially result in material different results under different assumptions or conditions.

Revenue

Selecting the appropriate timing for, and amount of, revenue to be recognised requires judgement. This may involve estimating the fair value of consideration received and an estimation of the percentage completion of services provided. The amount of title sponsorship revenue the Company recognises in respect to its agreements with BSKyB, SKY Italia and News Corporation is limited to the recoverable expenses of the Company, net of any performance sponsorship or other income.

n) Accounting standards, interpretations and amendments to published standards not yet effective

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after 1 January 2013 or later periods. These new pronouncements are listed below.

- IFRS 12 "Disclosure of Interests in Other Entities" (effective 1 January 2013)
- IFRS 13 "Fair Value Measurement" (effective 1 January 2013)
- Amendment to IAS 19 "Employee Benefits" (effective 1 January 2013)
- Amendment to IAS 27 "Separate Financial Statements" (effective 1 January 2013)

Notes to the financial statements

1. Accounting policies (continued)

n) Accounting standards, interpretations and amendments to published standards not yet effective (continued)

- Amendments to IFRS 7 "Financial Instruments Disclosures – Offsetting Financial Assets and Financial Liabilities" (effective 1 January 2013)
- Annual Improvements 2009-2011 Cycle (effective 1 January 2013)
- Amendments to IAS 32 "Financial Instruments Presentation – Offsetting Financial Assets and Financial Liabilities" (effective 1 January 2014)
- IFRS 9 "Financial Instruments" (effective 1 January 2015)

The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods

2 Revenue

	2012 £'000	2011 £'000
Title sponsor revenue	13,383	10,529
Performance sponsorship revenue	4,105	3,138
Race fees and other income	3,910	3,013
	<u>21,398</u>	<u>16,680</u>

Revenue from title sponsorship was derived from BSKyB, SKY Italia and News Corporation Title sponsorship revenue recognised, is limited to the recoverable expenditure, net of any performance sponsorship and other income

3. Operating expense

	2012 £'000	2011 £'000
Staff and rider remuneration	15,394	11,001
Race costs (travel and accommodation)	1,464	1,366
Bike and performance equipment	2,127	1,407
Sports science and medical	221	216
Vehicle running costs	216	209
Registrations	73	74
Research	45	86
Office expenses	401	362
PR and marketing	981	1,085
Legal and professional fees	160	131
Depreciation	531	531
Foreign exchange revaluation	(252)	110
	<u>21,361</u>	<u>16,578</u>

Notes to the financial statements

4 Investment income and finance costs

	2012 £'000	2011 £'000
Finance costs		
Intercompany interest payable	-	70
	<u>-</u>	<u>70</u>

Intercompany interest payable includes interest payable to BSKyB at a rate of 5% per annum (2011 5%) In October 2011 the loan with BSKyB was fully repaid and as such no interest was payable in 2012

5 Profit before taxation

Profit before taxation is stated after charging

	2012 £'000	2011 £'000
Depreciation of property, plant and equipment	531	531
Amortisation of intangible assets	962	909
	<u>531</u>	<u>909</u>

Audit fees

Amounts paid to the auditor for audit services of £52,500 were paid by TRL in 2012 (2011 £20,000) No amounts for other services have been paid to the auditor

Foreign exchange

Foreign exchange differences recognised in the income statement during the year amounted to a gain of £252,000 (2011 loss of £110,000)

Notes to the financial statements

6. Taxation

a) Taxation recognised in the income statement

	2012 £'000	2011 £'000
Current tax expense		
Current year UK tax	113	22
Current year overseas tax	7	-
Prior year adjustment	12	-
	<u>132</u>	<u>22</u>
Deferred tax expense		
Origination and reversal of temporary differences	(94)	10
Prior year adjustment	(1)	-
	<u>(95)</u>	<u>10</u>
Taxation	<u>37</u>	<u>32</u>

b) Reconciliation of total tax charge

The tax expense for the year is higher (2011 higher) than the blended rate of corporation tax in the UK (24.5%) applied to profit before tax. The differences are explained below.

	2012 £'000	2011 £'000
Profit before tax	37	32
Profit before tax multiplied by standard blended rate of corporation tax in the UK of 24.5% (2011 26.5%)	<u>9</u>	<u>8</u>
Effects of		
Other permanent differences	13	(8)
Overseas tax	7	-
Double tax relief	(5)	-
Prior year adjustments	11	28
Recognition of deferred tax liability	-	4
Change in tax rate	2	-
Taxation	<u>37</u>	<u>32</u>

The Government indicated that it intended to introduce further reductions in the main tax rate, with the rate falling by 1% each year down to 21% by 1 April 2014. The 1% reduction to the tax rate to 23% effective from 1 April 2013, has been substantively enacted at the balance sheet date and therefore reflected in these financial statements.

Notes to the financial statements

7. Deferred tax asset (liability)

	Fixed asset timing differences £'000	Losses £'000	Total £'000
At 1 January 2011	(94)	94	-
Charge to income	84	(94)	(10)
At 31 December 2011	(10)	-	(10)
Charge to income	95	-	95
At 31 December 2012	85	-	85

There are no unrecognised deferred tax liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. The rate enacted or substantively enacted for the relevant period of reversal is 23% as at December 2012 (2011 26%)

8 Employee benefits and key management compensation

Employee benefits for the Company during the year

	2012 £'000	2011 £'000
Wages and salaries	198	83

The average monthly number of full-time equivalent persons (including temporary employees) employed by the Company during the year was 7 (2011 3)

Other remuneration costs included in the staff and rider costs are related to contractors

The Company does not operate a pension scheme and no pension contributions have been made during the year

The Directors did not receive any remuneration during the year in respect of their services to the Company

Notes to the financial statements

9 Intangible fixed assets

	Rider Transfer Payments £'000
Cost	
At 1 January 2011	2,140
Additions	650
At 31 December 2011	<u>2,790</u>
Additions	302
At 31 December 2012	<u>3,092</u>
Amortisation	
At 1 January 2011	584
Amortisation	909
At 31 December 2011	<u>1,493</u>
Amortisation	962
At 31 December 2012	<u>2,455</u>
Carrying value	
At 1 January 2011	1,556
At 31 December 2011	<u>1,297</u>
At 31 December 2012	<u>637</u>

All intangible assets relate to rider transfer payments which are amortised over the term of each rider's initial contract

The estimated future amortisation charge on finite-lived intangible assets for each of the next two years is set out below. It is likely that amortisation will vary from the figures below as the estimate does not include the impact of any future investments, disposals or capital expenditure

	2013 £'000	2014 £'000
Estimated Amortisation Charge	<u>637</u>	<u>-</u>

Since all riders are still under contract there are no indicators of impairment

Notes to the financial statements

10. Property, plant and equipment

	Motor Vehicles £'000
Cost	
At 1 January 2011	2,109
Additions	10
At 31 December 2011	<u>2,119</u>
Additions	-
At 31 December 2012	<u>2,119</u>
Depreciation	
At 1 January 2011	516
Depreciation	531
At 31 December 2011	<u>1,047</u>
Depreciation	531
At 31 December 2012	<u>1,578</u>
Carrying value	
At 1 January 2011	1,593
At 31 December 2011	<u>1,072</u>
At 31 December 2012	<u>541</u>

Notes to the financial statements

11. Trade and other receivables

	2012 £'000	2011 £'000
Gross trade receivables	484	252
Less provision for impairment of receivables	-	-
Net trade receivables	484	252
Amounts receivable from ultimate parent company	1,060	39
Amounts receivable from other related parties	409	3
Amount receivable from other parties	29	210
Prepayments	161	443
Other receivables	-	56
	1,659	751

Prepayments principally comprise £62,000 of UCI registration fees paid in advance for the Company's 2013 race licence

The Directors consider that the carrying amount of trade and other receivables approximates fair value

The ageing of the Company's net trade receivables past due or subject to impairment is as follows

	2012 £'000	2011 £'000
Current	461	45
Thirty to sixty days past due date	1	60
Sixty to ninety days past due date	6	-
Ninety to 120 days past due date	16	33
More than 120 days past due date	-	114
	484	252

12. Trade and other payables

	2012 £'000	2011 £'000
Trade payables	371	81
Accruals	2,198	835
Deferred income	1,231	3,467
VAT and withholding tax payable	43	-
	3,843	4,383

The Directors consider that the carrying amount of trade and other payables approximates fair value

Notes to the financial statements

13. Financial risk management objectives and policies

The Company's principal financial instruments comprise trade payables. The Company's principal financial assets comprise trade receivables and cash.

	Loans and receivables £'000	Other liabilities £'000	Total carrying value £'000	Total fair values £'000
At 31 December 2011				
Trade and other payables	-	(916)	(916)	(916)
Trade and other receivables	308	-	308	308
Cash and cash equivalents	1,295	-	1,295	1,295
At 31 December 2012				
Trade and other payables		(2,569)	(2,569)	(2,569)
Trade and other receivables	1,498	-	1,498	1,498
Cash and cash equivalents	994	-	994	994

The Directors believe the carrying value of financial assets and liabilities approximates their fair values.

Liquidity risk

The Company's financial liabilities are shown in note 12. With access to funding under the Company's title sponsorship arrangements, the Directors believe that liquidity risk is negligible.

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 12 months £'000	Between one and two years £'000	Between two and five years £'000	More than five years £'000
At 31 December 2011				
Trade and other payables	916	-	-	-
At 31 December 2012				
Trade and other payables	2,569	-	-	-

14. Financial risk management objectives and policies

Foreign exchange risk

Due to sponsorship arrangement whereby Tour Racing Limited can elect to receive funding from the title sponsors in Euro or Sterling, exposure of the company's profit to any fluctuations on the FX rate between pounds sterling and the Euro is mitigated by managing shareholder funding currency to maximise the natural hedge of funding and payments in the same currency.

Notes to the financial statements

14. Financial risk management objectives and policies (continued)

Capital risk management

The capital structure of the Company consists of equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings

Risk and treasury management is governed by British Sky Broadcasting Group plc's policies approved by its Board of Directors

15. Share capital

	2012 £'000	2011 £'000
Authorised		
1,000,000 (2011 1,000,000) ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called-up and fully paid		
100 (2011 100) ordinary shares of £1 each	<u>-</u>	<u>-</u>

From 1 January 2010, SKY Italia and News Corporation have agreed to fund 25% and 15% respectively, of the £40m sponsorship commitment to the Company. In 2009, the Company issued 25 shares to Sky Italia and 15 shares to News Corporation, with BSKyB retaining the remaining issued capital being 60 shares. All shares are held on the same terms and voting rights. BSKyB still retains control of the Company and the Company is ultimately controlled by, and recognised as, a subsidiary of BSKyB.

16. Notes to the consolidated cash flow statement

Reconciliation of profit before taxation to cash (used in) generated from operations

	2012 £'000	2011 £'000
Profit before tax	37	32
Depreciation of property, plant and equipment	531	531
Amortisation of intangible assets	962	909
Net finance costs	-	70
Foreign exchange revaluation	(252)	110
	<u>1,278</u>	<u>1,652</u>
(Increase) decrease in trade and other receivables	(908)	1,677
(Decrease) increase in trade and other payables	(540)	414
Cash (used in) generated from operations	<u>(170)</u>	<u>3,743</u>

Notes to the financial statements

17. Transactions with related parties

Transactions with Group companies

During the year, title sponsorship was received from BSkyB, the parent company along with title sponsorship from SKY Italia and News Corporation who are also related parties of the Company, as detailed below

	2012	2011
	£'000	£'000
Title sponsorship income recognised		
BSkyB	8,030	6,317
Sky Italia	3,346	2,632
News Corporation	2,007	1,580
	13,383	10,529
	<hr/> <hr/>	<hr/> <hr/>
Title Sponsorship deferred income		
	2012	2011
	£'000	£'000
BSkyB	738	1,891
Sky Italia	308	788
News Corporation	185	473
	1,231	3,152
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2012, the Company was owed £1,060,000, £254,000 and £152,000 from BSkyB, SKY Italia and Newscorp respectively (2011 £39,000, £3,000 and £nil)

18 Ultimate parent undertaking

The Company is a partially-owned subsidiary undertaking of British Sky Broadcasting Limited, a company incorporated in the United Kingdom and registered in England and Wales. The Company is ultimately controlled by British Sky Broadcasting Group plc. The only group in which the results of the Company are consolidated is that headed by British Sky Broadcasting Group plc.

The consolidated accounts of the Group are available to the public and may be obtained from the Company Secretary, British Sky Broadcasting Group plc, Grant Way, Isleworth, Middlesex, TW7 5QD