

**Newmarket Investments Plc**  
**Group Income Statement**  
**For the six months ended 30 September 2007**

	Notes	<b>Six months ended</b>		<b>Year</b>
		<b>30 September</b>		<b>ended</b>
		2007	2006	2007
		( <i>unaudited</i> )	( <i>unaudited</i> )	( <i>unaudited</i> )
		£'000	£'000	£'000
<b>Continuing operations</b>				
<b>Revenue</b>		69	4	162
Administrative expenses		(177)	(181)	(426)
Other operating income		-	-	(9)
		<hr/>	<hr/>	<hr/>
<b>Operating profit</b>		(108)	(177)	(273)
Amounts written off investments		-	-	(28)
Finance costs		(3)	-	(2)
		<hr/>	<hr/>	<hr/>
<b>Loss before taxation</b>		(111)	(177)	(303)
Taxation		-	-	-
		<hr/>	<hr/>	<hr/>
<b>Loss for the period</b>		<u>(111)</u>	<u>(177)</u>	<u>(303)</u>
<b>Loss per share - basic and diluted</b>		<u>(1.30)p</u>	<u>(2.00)p</u>	<u>(3.40)p</u>

**Statement of changes in shareholders' equity**  
**for the six months ended 30 September**  
**2007**

	<b>Six months ended</b>		<b>Year</b>
	<b>30 September</b>		<b>ended</b>
	2007	2006	2007
	( <i>unaudited</i> )	( <i>unaudited</i> )	( <i>unaudited</i> )
	£	£	£
Opening shareholders' equity	(276)	27	27
Loss for the period	(111)	(177)	(303)
<b>Closing shareholders' equity</b>	<u>(387)</u>	<u>(150)</u>	<u>(276)</u>

**Group balance sheet  
as at 30 September 2007**

	<b>30 September</b>		<b>31 March</b>
	2007 <i>(unaudited)</i> £'000	2006 <i>(unaudited)</i> £'000	2007 <i>(unaudited)</i> £'000
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	10	15	12
Intangible asset - goodwill	7	-	-
Investments	1	39	1
	<u>18</u>	<u>54</u>	<u>13</u>
<b>Current assets</b>			
Trade and other receivables	154	193	232
Cash and cash equivalents	98	84	74
	<u>252</u>	<u>277</u>	<u>306</u>
<b>Total assets</b>	270	331	319
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Interest bearing loans and borrowings	(245)	-	(129)
Trade and other payables	(412)	(481)	(466)
<b>Total current liabilities</b>	<u>(657)</u>	<u>(481)</u>	<u>(595)</u>
<b>Total assets less current liabilities</b>	<u>(387)</u>	<u>(150)</u>	<u>(276)</u>
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	2,188	2,188	2,188
Share premium account	117	117	117
Capital redemption reserve	579	579	579
Retained earnings	(3,271)	(3,034)	(3,160)
<b>Total shareholders' equity</b>	<u>(387)</u>	<u>(150)</u>	<u>(276)</u>

**Group cash flow statement  
for the six months ended 30 September 2007**

	<b>Six months ended 30 September</b>		<b>Year ended 31 March</b>
	2007 <i>(unaudited)</i>	2006 <i>(unaudited)</i>	2007 <i>(unaudited)</i>

	£'000	£'000	£'000
<b>Cash flows from operating activities</b>			
Operating loss	(108)	(177)	(273)
Depreciation	2	3	6
Loss on disposal of investments		-	9
Decrease/(increase) in trade and other receivables	108	(19)	(58)
(Decrease)/increase in trade and other payables	(61)	219	204
<b>Cash (used in)/generated from operations</b>	(59)	26	(112)
Interest paid	(3)	-	(2)
<b>Net cash (used in)/generated from operating activities</b>	(62)	26	(114)
<b>Cash flow from investing activities</b>			
Sale of investments	-	-	1
Purchase of subsidiary (net of cash received)	(30)	-	-
<b>Net cash (used in)/generated from investing activities</b>	(30)	-	1
<b>Cash flow from financing activities</b>			
Other new short term loans	145	-	65
<b>Net cash flow from financing activities</b>	145	-	65
<b>Net increase/(decrease) in cash and cash equivalents</b>	53	26	(48)
Cash and cash equivalents at start of period	10	58	58
<b>Cash and cash equivalents at end of period</b>	63	84	10

## Notes to the consolidated half-yearly financial information

### 1 General information

The principal activities of Newmarket Investments Plc ('the Company') and its subsidiaries ('the Group') are to act as brokers for nominations to stallions and for bloodstock insurance products. The Group provides these services principally in the UK.

The Company is incorporated in the United Kingdom under the Companies Act 1985.

The comparative figures for the year ended 31 March 2007 and the six months ended 30 September 2006 have been restated for the adoption of IFRS. The comparative figures for the year ended 31 March 2007 are not the Company's statutory accounts for that financial year. The Company's statutory accounts for the year ended 31 March 2007, prepared under UK GAAP,

have been delivered to the Registrar of Companies; the report of the auditors on these accounts was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

The interim financial information has not been audited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

## **2 First-time adoption of International Financial Reporting Standards**

For the periods up to and including the year ended 31 March 2007, the Group prepared its audited financial statements under UK GAAP. For the year ending 31 March 2008, the Group is required to prepare its annual financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. As such, those financial statements will take account of the requirements and options of IFRS 1 "First-Time Adoption of International Financial Reporting Standards" as they relate to the 2007 comparatives included therein.

The financial information within this report for the six months ended 30 September 2007 has been prepared in accordance with the Group's accounting policies, based on IFRS that are expected to apply for the year ending 31 March 2008.

The transition to IFRS has had no effect on the loss, net liabilities and cash flow previously reported under UK GAAP. The only changes that have been made are presentational.

## **3 Basis of preparation**

The Group financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations that have been adopted for use in the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention.

## **4 Basis of consolidation**

The Group financial statements consolidate those of the Company and its subsidiaries for the year ended 30 September 2007. The results and net assets of undertakings acquired or disposed of during a financial year are included in the Group income statement and balance sheet from the effective date of acquisition or to the effective date of disposal.

## **5 Accounting policies**

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, once the right to consideration has been obtained, and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue from bloodstock nominations and ancillary services is the amount of commissions and other income earned during the period. As the Group acts as a disclosed agent, the net amount of commission received is included as the revenue. Revenue from insurance is the commissions earned on insurance policies brokered during the period.

### **Taxation**

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

The tax currently payable is based on the taxable loss for the year using the tax rates that have been enacted or substantially enacted by the balance sheet date. Taxable loss differs from the net loss 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.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is determined using tax rates that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is provided at the following rates per annum to write off the cost of property, plant and equipment, less estimated residual value, from the date on which they are brought into use:

Plant and machinery	5%-33% per annum straight line, 20%-25% per annum reducing balance
Fixtures, fittings and equipment	10%-15% per annum straight line

### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions is included in intangible assets and is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

### **Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are tested annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### **Investments**

The group classifies its investments as available-for-sale financial assets in accordance with IAS 39.

Available-for-sale financial investments are non-derivative assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. After initial recognition available-for-sale assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is

de-recognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement. If a fair value for an investment cannot be reliably measured that investment will be carried at cost.

An impairment test is performed annually on the carrying value of each investment. If an available-for-sale asset is impaired, an amount comprising the difference between its carrying value and its cost and its fair value is transferred from equity to the income statement.

#### **Trade and other receivables**

Trade and other receivables are recognised and carried at the lower of their original amount less an allowance for any doubtful amounts. An allowance is made when collection of the full amount is no longer considered possible.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand and short-term deposits with an original maturity of three months or less. The Group considers overdrafts (repayable on demand) to be an integral part of its cash management activities and these are included in cash and cash equivalents for the purposes of the cash flow statement.

#### **Trade payables**

Trade payables are stated at their nominal value.

#### **Foreign currency translation**

Items included in the financial statements of the Group are measured in pounds sterling, the currency of the primary economic environment in which the Group operates ("the functional currency").

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into pounds sterling at the rates of exchange ruling at the balance sheet date. Differences on exchange are taken to the income statement.

#### **Financial instruments**

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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

#### **New standards and interpretations**

During the period the International Accounting Standards Board ('IASB') issued the following standards which are effective for annual accounting periods beginning on or after the stated effective date. These standards are not effective for and have not been applied in the preparation of this financial information. The Group does not anticipate that the adoption of these standards will have a material impact on the Group's financial statements on adoption.

<b>International Accounting Standards (IFRS/IAS)</b>	<b>Date effective</b>
IFRS 7 Financial instruments: Disclosures	1 January 2007
IFRS 8 Operating segments	1 January 2009
IAS 1 Amendments - presentation of financial statements: Capital disclosures	1 January 2007

The International Financial Reporting Interpretations Committee have also issued interpretations which the Group does not consider will have a significant impact on the financial statements.

## 6 Segmental information

	<b>Nominations</b>	<b>Insurance brokers</b>	<b>Central costs</b>	<b>Group</b>
<b>Six months ended</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>30 September 2007</b>				
Revenue	<u>19</u>	<u>50</u>	<u>-</u>	<u>69</u>
Operating loss	<u>(20)</u>	<u>2</u>	<u>(90)</u>	<u>(108)</u>
<b>Six months ended</b>				
<b>30 September 2006</b>				
Revenue	<u>(33)</u>	<u>37</u>	<u>-</u>	<u>4</u>
Operating loss	<u>(68)</u>	<u>(1)</u>	<u>(108)</u>	<u>(177)</u>

The group was involved in one major transaction in June 2007 when it acquired a new subsidiary, Equine Risk management Limited (note ).

## 7 Taxation

On the basis of these accounts there is no provision for taxation.

## 8 Earnings per ordinary shares

	<b>Half Year Ended</b>		<b>Year</b>
	<b>30 September</b>		<b>Ended</b>
	<b>(Unaudited)</b>		<b>31 March</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>
<b>Basic and diluted</b>			
Loss for the financial period	(111,000)	(177,000)	(303,000)
Weighted average number of ordinary shares	8,750,000	9,500,000	8,750,000
Loss per share	<u>(1.3)p</u>	<u>(2.0)p</u>	<u>(3.4)p</u>

There was no dilutive effect from the warrants or options outstanding during the period.

## 9 Dividends

The directors do not recommend the payment of a dividend in respect of the period.

## 10 Capital expenditure

<b>Six months ended 30 September 2007</b>	<b>Tangible and intangible assets</b>
	<b>£'000</b>
Opening net book value at 1 April 2007	12
Addition on acquisition of Equine Risk Management Limited	7
Depreciation and amortisation	<u>(2)</u>
<b>Closing net book value at 30 September 2007</b>	<b><u>17</u></b>

<b>Six months ended 30 September 2006</b>	<b>Tangible and intangible assets</b>
	<b>£'000</b>
Opening net book value at 1 April 2006	18
Depreciation and amortisation	<u>(3)</u>
<b>Closing net book value at 30 September 2006</b>	<b><u>15</u></b>

## 11 Business combination

On 23 May 2007, the group acquired 100% of the share capital of Equine Risk Management Limited, a specialist insurance company focused on show jumpers and eventer, for a cash consideration of £75,000, plus costs.

The acquired business contributed revenues of £4,000 and net profit of £1,000 to the group for the period from acquisition to 30 September 2007. If the acquisition had occurred on 1 April 2007, the business would have contributed for the half-year ended 30 September 2007 £74,000 to revenue and £58,000 to net profit.

Details of net assets acquired and goodwill are as follows:

<b>Purchase consideration:</b>	<b>£'000</b>
Cash paid	75
Direct costs relating to the acquisition	<u>2</u>
<b>Total purchase consideration</b>	<b><u>77</u></b>
Fair value of net identifiable assets acquired (see below)	<u>70</u>
<b>Goodwill</b>	<b><u>7</u></b>

The goodwill is attributable to Equine Risk Management Limited due to the synergies expected to arise after its acquisition by the group.

The group has yet to finalise the amount of the fair value of the net identifiable assets acquired.

The assets and liabilities arising from the acquisition are as follows:

	<b>Acquiree's carrying amount and provisional fair value</b>
	<b>£'000</b>
Cash and cash equivalents	47
Receivables	30
Payables	<u>(7)</u>
<b>Net identifiable assets acquired</b>	<b><u>70</u></b>

**Outflow of cash to acquire business, net of cash acquired**

Cash consideration	75
Costs	<u>2</u>
	<u>77</u>

- 12 Copies of this announcement on Newmarket's website,  
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