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Ticketmaster UK Limited

Report and Financial Statements

31 December 2008

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COMPANIES HOUSE

Ticketmaster UK Limited

Registered No. 2662632

Directors

T Barnes
C Edmonds

Secretary

D Hamilton

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

Barclays Bank PLC
Level 28, 1 Churchill Place
Canary Wharf
London E14 5HP

Registered Office

48 Leicester Square
London WC2H 7LR

Directors' report

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

Results and dividends

The profit after taxation for the year was £11,785,000 (2007 – profit of £11,299,000).

No final dividend is proposed (2007 £nil). An ordinary dividend of £4,715,000 was paid during the year (2007 £nil)

Principal activity and review of the business

Ticketmaster UK Limited provides retail ticketing and system solutions for the live entertainment market and also ticketing system support to fellow group undertakings in Europe.

The company's key financial indicators during the year were as follows:

	2008	2007
	£000	£000
Turnover	70,513	65,578
Operating profit	13,056	12,243
Profit after tax	11,785	11,299
Shareholders' funds	40,316	32,624

Principal risks and uncertainties

The company is reliant on its clients for its ticketing supply. Securing tickets depends, in part, on the ability of the company to enter into, maintain and renew client contracts on favourable terms. No assurances can be provided that the company will continue to be able to maintain these client contracts, or enter into or maintain other client contracts, on acceptable terms, if at all, and its failure to do so could adversely affect its business, financial condition and results of operations.

Fixed assets

Major changes to fixed assets are detailed in notes 10 to 11 to these financial statements.

Directors and their interests

The directors of the company who served during the year were as follows:

T Barnes
C Edmonds
S Moriarty (Resigned 24 March 2009)

Policy on payment to creditors

It is Ticketmaster's policy to negotiate terms with our suppliers and to ensure that they know the terms on which payment will take place when business is agreed. It is our policy to abide by these terms. Payment to creditors is made, on average, within seven days of the invoice date. Creditors days for 2008 were an average of 7 days (2007 – 7 days).

Future developments

The company intends to continue to develop its current activities.

Political and charitable contributions

The company made charitable contributions of £790 in the year (2007 – £18,897) of which £nil (2007 – £15,000) were industry related.

Directors' report

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The company operates a framework for employee consultation which complies with the requirements of the Information and Consultation of Employees Regulation 2004. During the year, the policy of providing employees with information about the company has been continued through the quarterly newsletter "People News". Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with section 487(2) of the Companies Act 2006, the auditors, Ernst & Young LLP, will be deemed to be re-appointed and therefore continued in office.

On behalf of the Board



Director

17th December 2009

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 proper accounting records which 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Ticketmaster UK Limited

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements.

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

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

Basis of audit opinion

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

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

Independent auditors' report

to the members of Ticketmaster UK Limited

Opinion

In our opinion:

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

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

18 December 2009

Profit and loss account

for the year ended 31 December 2008

	<i>Notes</i>	<i>2008</i> £000	<i>2007</i> £000
Turnover	2	70,513	65,578
Cost of sales		(35,431)	(32,964)
Gross profit		<u>35,082</u>	<u>32,614</u>
Selling and distribution costs		(2,659)	(2,665)
Administrative expenses		(19,367)	(17,706)
Operating profit	3	<u>13,056</u>	<u>12,243</u>
Interest receivable	7	2,523	1,837
Interest payable and similar charges	8	(285)	(181)
Profit on ordinary activities before taxation		<u>15,294</u>	<u>13,899</u>
Tax on profit on ordinary activities	9	(3,509)	(2,600)
Profit on ordinary activities after taxation		<u><u>11,785</u></u>	<u><u>11,299</u></u>

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

There are no recognised gains and losses other than those passing through the profit and loss account.

Balance sheet

at 31 December 2008

	Notes	2008 £000	2007 £000
Intangible assets			
Intangible assets	10	-	-
Fixed assets			
Tangible assets	11	4,176	5,169
Investments	12	8,189	8,189
		<u>12,365</u>	<u>13,358</u>
Current assets			
Stocks	13	337	326
Debtors falling due after one year	14	19,391	9,097
Debtors falling due within one year	15	14,072	12,860
Cash at bank and in hand		39,796	35,663
		<u>73,596</u>	<u>57,946</u>
Creditors: amounts falling due within one year	16	(40,056)	(38,565)
Net current assets		<u>33,540</u>	<u>19,381</u>
Creditors: amounts falling due after more than one year	17	(5,589)	(115)
Net assets		<u>40,316</u>	<u>32,624</u>
Capital and reserves			
Called up equity share capital	18	1,900	1,900
Share based payment reserve	19	622	-
Profit and loss account	19	37,794	30,724
Shareholders' funds	19	<u>40,316</u>	<u>32,624</u>

The financial statements were approved by the Board of Directors on 17th December 2009 and signed on its behalf by:



Director

Notes to the financial statements

at 31 December 2008

1. Accounting policies

Basis of preparation

The financial statements of Ticketmaster UK Ltd were approved for issue by the Board of Directors on 17/11/09

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

The company has taken advantage of the Companies Act 1985 S228A exemption from producing consolidated accounts.

The company has taken advantage of the exemption under FRS 1 (revised) from producing a statement of cash flows as it is a subsidiary undertaking of Ticketmaster Entertainment Inc, which prepares a group statement of cash flows and whose financial statements are publicly available.

Tangible fixed assets and depreciation

Office equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

Office equipment – 20% - 33% straight line

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 December 2008

1. Accounting policies (continued)

Foreign currencies

Current assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to the profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Leases

Amounts payable under operating leases are charged in the profit and loss account as incurred.

Goodwill

Purchased goodwill on the acquisition of subsidiary undertakings represents the excess of the fair value of the consideration and associated acquisition costs given over the fair value of the separable net asset acquired. Goodwill is amortised over its estimated useful economic life.

Government grants

In 2008, we received the final receipt of a government grant for £225,000 which was accounted for in 2007.

Share-based payments

Cash Settled Transactions

The cost of cash settled transactions is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. If the award fails to vest as the result of certain types of performance condition not being satisfied, the charge to the income statement will be adjusted to reflect this.

During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying value of the liability since the previous balance sheet date are recognised in the profit and loss for the period.

Equity Settled Transactions

The cost of equity-settled transactions with employees for awards is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in Note 22.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Notes to the financial statements

at 31 December 2008

1. Accounting policies (continued)

Equity Settled Transactions (continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pensions

Contributions to defined contribution schemes are recognised in the income statement in the period in which they have become payable.

Revenue recognition

Revenue from the sale of tickets is recognised when a sale is made.

2. Turnover

Turnover, which is stated net of value added tax, includes the gross retail margin on the sales of tickets and commissions earned on the throughput of the Ticketmaster system. Also included in turnover are charges for services provided to fellow group undertakings.

No analysis of turnover is provided as, in the opinion of the directors, this would be seriously prejudicial to the interests of the group.

3. Operating profit

This is stated after charging/(crediting):

	2008	2007
	£000	£000
Depreciation	2,197	2,167
Auditors' remuneration (see note 4)	53	51
Operating lease rentals – plant and machinery	53	116
Operating lease rentals – land and buildings	1,882	1,883
Exchange gains	(1,595)	(294)
	<u> </u>	<u> </u>

4. Auditors' remuneration

	2008	2007
	£000	£000
Audit of the financial statements	53	51
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 December 2008

5. Directors' emoluments

	2008 £000	2007 £000
Emoluments (excluding pensions)	273	308
Pensions	8	9
In respect of the highest paid director		
	2008 £000	2007 £000
Aggregate emoluments	273	282
Accrued pension at the end of the year	-	8

6. Staff costs

	2008 £000	2007 £000
Employee costs:		
Wages and salaries	15,425	13,925
Social security costs	1,321	1,114
Other pension costs	205	159
	16,951	15,198
Average number of persons employed:		
	2008 No.	2007 No.
Phone centre sales	224	246
Phone centre administration	125	119
Operations	93	134
Sales and marketing	18	20
General and administration	44	49
	504	568

Pensions

The company does not operate a pension scheme. The company pays defined contributions into individual pension schemes for certain directors and employees. The pension cost charge represents contributions payable by the company and amounted to £205,496 (2007 – £158,582). One director received pension contributions into individual pension schemes during the year (2007 – one).

Notes to the financial statements

at 31 December 2008

7. Interest receivable

	2008 £000	2007 £000
Bank deposits	1,262	1,441
Interest receivable from group undertakings	1,261	396
	<u>2,523</u>	<u>1,837</u>

8. Interest payable and similar charges

	2008 £000	2007 £000
Interest payable to group undertakings	285	181
	<u>285</u>	<u>181</u>

9. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2008 £000	2007 £000
<i>Current tax:</i>		
UK corporation tax	4,008	704
Prior year adjustment	(107)	1,643
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(392)	253
Tax on profit on ordinary activities	<u>3,509</u>	<u>2,600</u>

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year differs than the standard rate of corporation tax in the UK of 28.5 % (2007 – 30%). The differences are reconciled below:

	2008 £000	2007 £000
Profit on ordinary activities before tax	15,294	13,899
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007 – 30%)	<u>4,359</u>	<u>4,170</u>
Expenses not deductible for tax purposes	224	106
Depreciation for period in excess of capital allowances	207	76
Prior year adjustment	(107)	(1,643)
Group relief for nil payment	(782)	–
Other	–	(362)
Total current tax	<u>3,901</u>	<u>2,347</u>

Notes to the financial statements

at 31 December 2008

9. Tax on profit on ordinary activities (continued)

(c) Factors that may affect future tax charges

The UK corporation tax rate decreased from 30% to 28% from 1 April 2008. This rate change will affect the amount of future cash tax payments to be made by the company.

(d) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2008 £000	2007 £000
Decelerated capital allowances	460	278
Timing differences	142	105
Share based payments	141	(32)
Deferred tax asset	<u>743</u>	<u>351</u>
		<u>£000</u>
At 1 January 2008		351
Deferred tax credit in profit and loss account		392
At 31 December 2008		<u>743</u>

10. Intangible fixed assets

	<i>Positive purchased goodwill</i> £000
Cost:	
At 1 January 2008 and 31 December 2008	610
Provision for amortisation:	
At 1 January 2008 and 31 December 2008	610
Net book value:	
At 1 January 2008 and 31 December 2008	<u>-</u>

Notes to the financial statements

at 31 December 2008

11. Tangible fixed assets

	<i>Office equipment £000</i>
Cost:	
At 1 January 2008	12,808
Additions	1,204
At 31 December 2008	<u>14,012</u>
Depreciation:	
At 1 January 2008	7,639
Provided during the year	2,197
At 31 December 2008	<u>9,836</u>
Net book value:	
At 31 December 2008	<u>4,176</u>
At 1 January 2008	<u><u>5,169</u></u>

12. Investments

At 31 December 2008 the company's subsidiary undertakings were:

<i>Company</i>	<i>Principal activity</i>	<i>Share capital</i>	<i>Interest</i>
FC1031 Limited	Holding company	£2	100% Direct
Ticketmaster Systems Limited	Ticketing software	£20,000	100% Indirect
Billettsservice AS	Retail ticketing for the entertainment market	NOK 1,552,000	100% Direct
Billettssentralen AS	Dormant	NOK 100,000	100% Indirect
Ticketsservice Nederland BV	Retail ticketing for the entertainment market	€18,090	100% Direct
Ticketmaster International Events Limited	Provision of ticketing systems	£25,000	100% Direct

FC1031 Limited and Ticketmaster Systems Limited are incorporated in England and Wales. Billettsservice AS and Billettssentralen AS are incorporated in Norway. Ticketsservice Nederland BV is incorporated in the Netherlands.

Ticketmaster Systems Limited is 100% directly owned by FC1031 Limited.

Billettssentralen AS is 100% owned by Billettsservice AS.

Notes to the financial statements

at 31 December 2008

12. Investments (continued)

	<i>Shares in subsidiary undertaking £000</i>
Cost:	
At 1 January 2008 and 31 December 2008	8,189

In the opinion of the directors, the investments are worth at least the amount at which they are stated in the balance sheet.

13. Stocks

	2008	2007
	£000	£000
Ticket stocks	337	326

14. Debtors falling due after one year

	2008	2007
	£000	£000
Amounts due after one year:		
Deferred costs	205	115
Other debtors	1,270	1,749
Amounts owed by group undertakings	17,916	7,233
	<u>19,391</u>	<u>9,097</u>

15. Debtors falling due within one year

	2008	2007
	£000	£000
Amounts due within one year:		
Trade debtors – proceeds from ticket sales	6,063	5,857
Trade debtors – other	520	574
Amounts owed by group undertakings	2,305	2,375
Other debtors	2,235	1,660
Corporation tax	771	573
Deferred costs	119	214
Prepayments and accrued income	1,316	1,256
Deferred tax asset	743	351
	<u>14,072</u>	<u>12,860</u>

Notes to the financial statements

at 31 December 2008

16. Creditors: amounts falling due within one year

	2008	2007
	£000	£000
Trade creditors – clients	25,062	22,771
Trade creditors – other	2,244	1,145
Amounts owed to group undertakings	1,191	2,757
Taxation and social security	3,110	2,190
Other creditors	820	1,073
Share based payments	289	233
Accruals and deferred income	7,340	8,396
	<u>40,056</u>	<u>38,565</u>

17. Creditors: amounts falling due after more than one year

	2008	2007
	£000	£000
Share based payments	55	115
Amounts owed to group undertakings	5,534	–
	<u>5,589</u>	<u>115</u>

18. Share capital

	2008	2007
	£000	£000
<i>Authorised</i>		
Ordinary shares of £1 each	4,000	4,000
	<u>4,000</u>	<u>4,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	1,900	1,900
	<u>1,900</u>	<u>1,900</u>

19. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Share based payment reserve</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	£000	£000	£000	£000
At 31 December 2007	1,900	–	30,724	32,624
Profit for the year	–	–	11,785	11,807
Reserve credit for share based payment	–	622	–	622
Dividends paid	–	–	(4,715)	(4,715)
	<u>1,900</u>	<u>622</u>	<u>37,794</u>	<u>40,316</u>

Notes to the financial statements

at 31 December 2008

19. Reconciliation of shareholders' funds and movement on reserves (continued)

Share based payment reserve

The share based payment reserve is used to record the value of equity-settled share based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 22 for further details.

20. Dividends

	2008	2007
	£	£
<i>Declared and paid during the year</i>		
Equity dividends on ordinary shares:		
Interim dividend for 2008 (£2.48 per share)	4,715	-

21. Other financial obligations

Leasing commitments

The company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	<i>Other</i>	<i>Total</i>	<i>Land and buildings</i>	<i>Other</i>	<i>Total</i>
	2008	2008	2008	2007	2007	2007
	£000	£000	£000	£000	£000	£000
Operating leases which expire:						
- within one year	-	-	-	-	10	10
- between two and five years	1,744	48	1,792	-	-	-
- after five years	-	-	-	1,663	-	1,663
Total	1,744	48	1,792	1,663	10	1,673

Other commitments

As at 31 December 2008 the company has an annual contractual commitment to pay £946,911 until 31 December 2009 in respect of ticketing arrangements over the period.

22. Share based payments

Share based compensation was awarded to the Company's employees by its former ultimate parent company, IAC, on a periodic and discretionary basis. On 20 August 2008, IAC completed its previously announced plan to separate into five publicly traded companies (the "Spinco's"). Hereafter this transaction is referred to as the "Spin-Off". The impact of the Spin-Off has been separately reflected in the share disclosures noted below.

Share based awards granted to Company employees by IAC may take various forms, including Restricted Stock Units (RSUs), which are cash-settled award and share options to acquire IAC common stock, which are equity-settled awards. The expense recognised for employee services received during the year is shown in the following table:

Notes to the financial statements

at 31 December 2008

22. Share based payments (continued)

	2008 £000	2007 £000
Expense arising from equity-settled share-based payment transactions	257	-
Expense arising from cash-settled share-based payment transactions	490	94
Total expense arising from share-based payment transactions	<u>747</u>	<u>94</u>

Restricted stock

RSUs are awards in the form of phantom shares, denominated in a hypothetical equivalent number of shares of IAC common stock and with the value of each RSU equal to the fair value of IAC common stock at the date of the grant. All RSUs granted to employees of the Company are settled in cash. Each RSU grant is subject to service-based vesting, where a specific period of continued employment must pass before an award vests. RSU grants are valued at the balance sheet date at fair value with any changes in fair value recognised in the profit and loss account. RSUs vest in equal instalments over a range of four to five years, in each case, from the grant date.

The fair value of the RSU's was estimated at the balance sheet date using the Black Scholes option pricing model. This incorporates various assumptions, including expected volatility and expected term. For the purposes of this model, no dividends have been assumed. Expected stock price volatilities are estimated based on Ticketmaster's historical volatility. The risk free interest rates are based on US Treasury yields for notes with comparable terms as the awards, in effect at the balance sheet date. The expected term of the RSU's granted is based on analysis of historical employee termination rates. The following are the weighted average assumptions used in the Black Scholes option pricing model for the year ended 31 December 2008: volatility factor 60.88%, risk free interest rate of 3.01%, expected term of 3 years and a dividend yield of zero

In connection with the Spin-Off, the majority of outstanding share-based compensation instruments of IAC were modified. RSUs granted prior to 8 August 2005 or scheduled to vest on or before 28 February 2009 were accelerated and fully vested. All RSUs awards held by the Company's employees were converted into either awards denominated solely in Ticketmaster common shares or a combination of Ticketmaster common shares and the common shares of the Spincos, in all cases with appropriate adjustments to the number of shares of common stock underlying each such award to maintain pre- and post spin-off values.

Notes to the financial statements

at 31 December 2008

22. Share based payments (continued)

Outstanding RSU's as of 31 December 2008 and 2007, and changes during the years then ended were as follows:

	2008		2007	
	<i>Number of</i>	<i>Weighted</i>	<i>Number of</i>	<i>Weighted</i>
	<i>shares</i>	<i>average</i>	<i>shares</i>	<i>average</i>
		<i>balance</i>		<i>balance</i>
	<i>sheet date</i>	<i>sheet date</i>	<i>sheet date</i>	<i>sheet date</i>
	<i>fair value</i>	<i>fair value</i>	<i>fair value</i>	<i>fair value</i>
Outstanding at 1 January	39,219	£16.15	39,895	£17.35
Granted	-	-	15,428	£19.71
Vested	(21,599)	(£ 10.78)	(9,645)	(£ 13.89)
Forfeited	(1,501)	(£ 23.44)	(6,459)	(£ 13.54)
Non-vested prior to the Spin -Off	16,159	£18.87	39,219	£16.15
Adjustments for the Spin- Off	(2,995)	-	-	-
Outstanding at 31 December	13,164	£23.17	39,219	£16.15

The carrying amount of the liability relating to RSU's at 31 December 2008 is £343,985 (2007 £833,085).

In addition to the 13,164 Ticketmaster RSU's noted above, Company employees also hold an aggregate of 2,243 RSU's of the other four Spincos as of 31 December 2008.

Share options

The exercise price of the share options granted is equal to the market price of the shares on the date of grant. The fair value of the options is estimated using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted.

As mentioned above, in connection with the Spin-Off, the majority of outstanding share-based compensation instruments of the Company were modified. All stock options awards granted after 1 January 2008 held by the Company's employees were converted into awards denominated solely in Ticketmaster common shares with appropriate adjustments to the number of shares of common stock and exercise prices underlying each such award to maintain pre- and post spin-off values. Stock options granted prior to 1 January 2008 were converted into a combination of Ticketmaster common shares and the common shares of the Spincos. The total incremental compensation expense resulting from the modification was £131,754 for employees that remained the Company's employees following the Spin-Off. This cost will be recognized over the vesting period of the awards. For the period from 21 August 2008 to 31 December 2008, £36,807 of this incremental compensation cost was recognized in the company's profit and loss account.

Notes to the financial statements

at 31 December 2008

22. Share based payments (continued)

Options issued to Company employees prior to 7 November 2002 not previously recognised are now included since due to the Spin-Off these have now been modified. Outstanding share options as of 31 December 2008 and changes during the year then ended were as follows:

	<i>Shares No.</i>	<i>Weighted average exercise price</i>
Outstanding at 1 January 2008	-	-
Granted	59,000	£15.56
Vested	-	-
Forfeited	-	-
	<hr/>	<hr/>
Outstanding just prior to the Spin-Off	59,000	£15.56
Adjustments for the Spin-Off	(11,015)	
	<hr/>	<hr/>
Outstanding following the Spin-Off	47,985	£19.13
Pre November 2002 Options	3,716	£15.94
	<hr/>	<hr/>
Outstanding at 31 December 2008	<u>51,701</u>	<u>£18.90</u>

The contractual life of each share option granted is ten years. The weighted-average remaining contractual life for the share options outstanding at 31 December 2008 is 7 years.

The range of exercise prices, as adjusted for the Spin-Off, for share options outstanding at 31 December 2008 was £9.52 to £27.59. The weighted average fair value of share options granted during the year, as adjusted for the Spin-Off, was £5.70.

The fair value of the share options was estimated at the grant date and at the Spin off date for the incremental charge using the Black-Scholes option pricing model. This incorporates various assumptions, including expected volatility and expected term. For the purposes of this model, no dividends have been assumed. Expected stock price volatilities are estimated based on IAC's historical volatility. The risk free interest rates are based on US Treasury yields for notes with comparable terms as the awards, in effect at the balance sheet date. The expected term of the share options granted is based on analysis of historical employee termination rates. The following are the weighted average assumptions used in the Black Scholes option pricing model for the year ended 31 December, 2008: volatility factor 60.8%, risk free interest rate of 3.63%, expected term of 3.47 years and a dividend yield of zero.

23. Related party transactions

The company has taken advantage of the exemption conferred for disclosure under FRS 8 as it is an undertaking which is more than 90% controlled by the ultimate parent undertaking, whose group financial statements are publicly available.

Notes to the financial statements

at 31 December 2008

24. Ultimate parent undertaking and controlling party.

The company's immediate parent undertakings are Ticketmaster Entertainment Inc, a company incorporated in the United States of America, and TM Number One Limited, a company incorporated in the United Kingdom.

The largest and smallest group in which the results of the company are consolidated is that headed by Ticketmaster Entertainment, Inc, a company incorporated in the United States of America. Copies of Ticketmaster Entertainment, Inc's group financial statements may be obtained from 8800 Sunset Blvd, West Hollywood, CA 90069, USA.