

**REGISTRAR OF  
COMPANIES**

**Southwell Racecourse Limited**

Report and Financial Statements

Year Ended

31 December 2004



**BDO Stoy Hayward**  
Chartered Accountants

# **Southwell Racecourse Limited**

## **Annual report and financial statements for the year ended 31 December 2004**

---

### **Contents**

Directors

### **Page:**

1	Report of the directors
3	Report of the independent auditors
5	Profit and loss account
6	Statement of total recognised gains and losses
7	Balance sheet
8	Notes forming part of the financial statements

---

### **Directors**

G T Parr  
R I Renton  
D A Roberts  
E C Taylor  
R Mercer  
M J Elliott

### **Secretary and registered office**

W A Parker, Dunstall Park, Gorsebrook Road, Wolverhampton, WV6 0PE.

### **Company number**

1603946

### **Auditors**

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

## Southwell Racecourse Limited

### Report of the directors for the year ended 31 December 2004

---

The directors present their report together with the audited financial statements for the year ended 31 December 2004.

#### Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

The directors do not recommend the payment of a final ordinary dividend (2003 - £Nil).

#### Principal activities, trading review and future developments

The principal activity of the company is that of a racecourse operator at Southwell Racecourse, Nottinghamshire. The company also operates a golf course.

It is the company's policy to continue to improve its own facilities in order to meet market demand. The directors are satisfied with the result for the year and look forward to positive future growth.

#### Directors

The directors of the company during the year were:

		Ordinary shares	
		2004	2003
G T Parr	(appointed 24 November 2004)	-	-
I R Penrose		-	-
R I Renton		-	-
D A Roberts	(appointed 15 December 2004)	-	-
E C Taylor		-	-
R Mercer		-	-

I R Penrose was also a director of the company's parent company, Arena Leisure Plc. His interests in the ordinary shares and share options are disclosed in its financial statements.

R J Muddle resigned on 24 December 2004.

M J Elliott was appointed as a director on 3 October 2005.

I R Penrose resigned as a director on 30 September 2005.

## Southwell Racecourse Limited

### Report of the directors for the year ended 31 December 2004 (*Continued*)

---

#### Directors' responsibilities

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 year. 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; 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.

#### Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

#### On behalf of the Board

R Mercer



Director

Date

27 October 2005

## **Southwell Racecourse Limited**

### **Report of the independent auditors**

---

#### **To the shareholders of Southwell Racecourse Limited**

We have audited the financial statements of Southwell Racecourse Limited for the year ended 31 December 2004 on pages 5 to 15 which have been prepared under the accounting policies set out on pages 8 and 9.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are 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 United Kingdom Auditing Standards.

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, if 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 transactions with the company 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements 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.

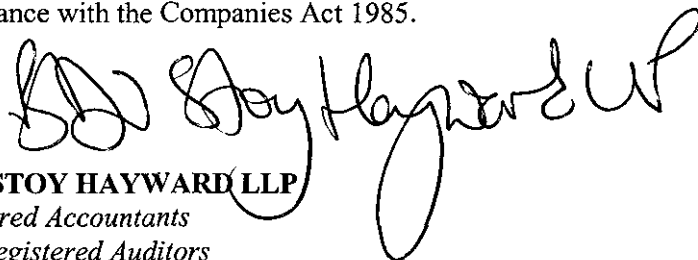
**Southwell Racecourse Limited**

**Report of the independent auditors (*Continued*)**

---

*Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A large, stylized handwritten signature in black ink, appearing to read 'BDO Stoy Hayward LLP', is written over the printed name of the firm.

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
London

27 October 2005

**Southwell Racecourse Limited**

**Profit and loss account for the year ended 31 December 2004**

	<b>Note</b>	<b>2004</b> <b>£</b>	<b>2003</b> <b>As restated</b> <b>£</b>
<b>Turnover</b>	<b>1</b>	<b>6,543,789</b>	<b>5,817,085</b>
Cost of sales		<u>4,230,344</u>	<u>3,470,917</u>
<b>Gross profit</b>		<b>2,313,445</b>	<b>2,346,168</b>
Administrative expenses		<u>1,149,845</u>	<u>1,291,790</u>
<b>Operating profit</b>	<b>5</b>	<b>1,163,600</b>	<b>1,054,378</b>
Interest receivable and similar income		<b>90,044</b>	<b>25,589</b>
Interest payable and similar charges	<b>6</b>	<u><b>115,000</b></u>	<u><b>(125,000)</b></u>
<b>Profit on ordinary activities before taxation</b>		<b>1,368,644</b>	<b>954,967</b>
Taxation on profit on ordinary activities	<b>7</b>	<u><b>195,349</b></u>	<u><b>(200,000)</b></u>
<b>Profit on ordinary activities after taxation and retained</b>	<b>14</b>	<u><u><b>1,563,993</b></u></u>	<u><u><b>754,967</b></u></u>

All amounts relate to continuing activities.

The profit for the year represents the movement in shareholder's funds.

The notes on pages 8 to 15 form part of these financial statements.

**Southwell Racecourse Limited**

**Statement of total recognised gains and losses for the year ended 31 December 2004**

---

	2004 £	2003 £
<b>Profit for the financial year and total recognised gains and losses for the year</b>	<b>1,563,993</b>	<b>754,967</b>
Prior year adjustment - capital credits (note 2)	2,669,684	-
	<hr/>	<hr/>
<b>Total recognised gains and losses since the last financial statements</b>	<b>4,233,677</b>	<b>754,967</b>
	<hr/>	<hr/>

The notes on pages 8 to 15 form part of these financial statements.



**Southwell Racecourse Limited**

**Balance sheet at 31 December 2004**

	Note	2004 £	2004 £	2003 As restated £	2003 As restated £
<b>Fixed assets</b>					
Tangible assets	8		8,336,831		6,602,286
<b>Current assets</b>					
Stocks	9	10,713		10,557	
Debtors	10	7,607,982		6,221,678	
Cash at bank and in hand		4,488		465,891	
		<u>7,623,183</u>		<u>6,698,126</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>7,002,952</u>		<u>5,907,342</u>	
<b>Net current assets</b>			<u>620,231</u>		<u>790,784</u>
<b>Total assets less current liabilities</b>			<u>8,957,062</u>		<u>7,393,070</u>
<b>Accruals and deferred income</b>	12		-		-
<b>Net assets</b>			<u>8,957,062</u>		<u>7,393,070</u>
<b>Capital and reserves</b>					
Called up share capital	13		190,000		190,000
Profit and loss account	14		8,767,062		7,203,070
<b>Shareholder's funds</b>			<u>8,957,062</u>		<u>7,393,070</u>

Included within shareholder's funds is £50,000 (2003 - £50,000) of non-equity interests.

The financial statements were approved by the Board on **27 OCTOBER 2005**

R Mercer  
Director



The notes on pages 8 to 15 form part of these financial statements.

## Southwell Racecourse Limited

### Notes forming part of the financial statements for the year ended 31 December 2004

---

#### 1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

##### *Turnover*

Turnover represents the amounts received by the company for goods and services provided during the year from its racing, golfing and related activities, excluding value added tax. All turnover arises solely in the United Kingdom.

##### *Media rights*

On the 29 March 2004 attheraces terminated its media rights agreement with the RCA and the 49 racecourses which were party to the contract, including the 6 racecourses owned by Arena Leisure Plc. Following termination of this agreement the group negotiated a new media rights contract with At The Races. This enabled the group to resolve its rebate liability under the original contract and to receive future rights payments based on a percentage share of the relevant revenues generated by the broadcasts from the group's racecourses. This income will be credited to the profit and loss account in the period in which it is earned.

At the 29 March 2004 Southwell Racecourse Limited held within creditors the sum of £737,000 in respect of deferred media rights income received under the original contract. This will be released to the profit and loss account on a straight line basis over the initial five year period of the new contract.

##### *Depreciation*

Depreciation is provided to write off the cost or valuation less estimated residual values, of all tangible fixed assets, except for freehold land, evenly over their estimated useful economic lives. Depreciation is provided on a straight line basis as follows:

Land and buildings	-	2% per annum
Fixtures and fittings	-	5% to 25% per annum
Plant, machinery and equipment	-	5% to 25% per annum

##### *Deferred taxation*

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation.

In accordance with Financial Reporting Standard 19, deferred tax is provided in respect of all timing differences that have originated but not reversed at the balance sheet date that may give rise to an obligation to pay more or less tax in the future. An asset is recognised where there is no uncertainty as to the transfer of future economic benefits. Deferred tax is measured on a non discounted basis.

##### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

## 2 Change of accounting policy

### *Capital Credits*

The Horserace Betting Levy Board provide racecourse revenue grants to support the holding of a race meeting.

A racecourse can elect in advance to convert the revenue grant to capital credits which can be drawn down to meet approved capital project expenditure.

Previously capital credits were included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

The directors have reviewed the accounting policy in respect of capital credits and now consider it more appropriate to view the capital credits as revenue grants. The impact of this change in accounting policy is to take the revenue grants to the profit and loss account as turnover to match the related costs of holding the race meeting. The capital credits are recognised as income when the race meeting has been held. The directors consider this policy provides a more appropriate presentation of the actual underlying financial performance of the racecourse.

The effect of this accounting policy change on the comparatives is that net assets have been increased by £2,669,684 and operating profit reduced by £109,867. Had this accounting policy not changed, current year net assets would have been £4,555,558 lower and operating profit would have been £1,885,875 lower.

## 3 Staff numbers and costs

The average number of persons employed by the company (including directors and part-time staff but excluding raceday casual staff) during the year, analysed by category, was as follows

	2004 Number	2003 Number
Management and administration	7	7
Customer service	19	16
	<hr/>	<hr/>
	26	23
	<hr/>	<hr/>
	£	£
Wages and salaries	359,325	313,399
Social security costs	32,306	31,173
Pension	-	828
	<hr/>	<hr/>
	391,631	345,400
	<hr/>	<hr/>

## Southwell Racecourse Limited

### Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

#### 3 Staff numbers and costs (Continued)

The company employs casual staff to assist during race days. The number of casual staff varies between 30 and 40 depending on the race day. Casual staff are not included in the staff numbers or costs stated above. The aggregate payroll cost in respect of casual staff in 2004 was £109,578 (2003 - £112,016).

#### 4 Directors

	2004 £	2003 £
Directors' emoluments consist of:		
Fees and remuneration for management services	-	-

#### 5 Operating profit

	2004 £	2003 £
This is stated after charging/(crediting):		
Group management charges	712,000	907,000
Depreciation of tangible fixed assets	151,723	119,915
Auditors' remuneration	9,300	9,000
(Profit) on disposal of fixed assets	(2,145)	(21,891)

#### 6 Interest payable and similar charges

	2004 £	2003 £
(Reversal)/charge of interest on late payment of corporation tax	(115,000)	125,000

**Southwell Racecourse Limited**

**Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)**

**7 Taxation**

	2004 £	2003 As restated £
<i>UK corporation tax</i>		
Current tax on profits for the year	-	-
Adjustment in respect of previous periods	195,349	(200,000)
	<hr/>	<hr/>
Total current tax credit/(charge)	195,349	(200,000)
	<hr/>	<hr/>
Taxation credit/(charge) on profit on ordinary activities	195,349	(200,000)
	<hr/>	<hr/>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2004 £	2003 As restated £
<i>Tax reconciliation</i>		
Factors affecting tax charge for the year:		
Profit on ordinary activities	1,368,644	954,967
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 – 30%)	410,593	286,490
Effects of:		
Expenses not deductible for tax purposes	23,574	58,107
Income not assessable to tax	(565,763)	(6,000)
Short term timing differences	-	(172)
Depreciation in excess of capital allowances	22,238	11,960
Losses (utilised) in year	-	(12,228)
Group relief surrendered/(claimed)	109,358	(338,157)
Adjustment to prior year tax charge	195,349	(200,000)
	<hr/>	<hr/>
Current tax credit/(charge) for year	195,349	(200,000)
	<hr/>	<hr/>

# Southwell Racecourse Limited

## Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

### 7 Taxation (Continued)

#### Unrecognised deferred tax

	2003 £	Movement in the year £	2004 £
Accelerated capital allowances	104,795	(156,944)	(52,149)
Tax losses	(383,144)	(11,433)	(394,577)
Unrecognised deferred tax assets	(278,349)	(168,377)	(446,726)

The company has not provided for the deferred tax asset on losses and other short term timing differences as it is prudent to assume that that group will not make sufficient profits in the short term to absorb these amounts.

### 8 Tangible assets

	All weather track £	Freehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
<i>Cost</i>					
At 1 January 2004	923,611	5,830,315	597,046	23,318	7,374,290
Additions	1,279,360	19,086	397,301	-	1,695,797
Disposals	-	-	(527)	-	(527)
Intercompany transfer	275,147	-	-	-	275,147
At 31 December 2004	2,478,118	5,849,401	993,820	23,318	9,344,657
<i>Depreciation</i>					
At 1 January 2004	422,377	101,548	225,458	22,621	772,004
Provided for the year	51,444	21,136	78,446	697	151,723
Disposals	-	-	(272)	-	(272)
Intercompany transfer	84,371	-	-	-	84,371
At 31 December 2004	558,192	122,684	303,632	23,318	1,007,826
<i>Net book value</i>					
At 31 December 2004	1,919,926	5,726,717	690,188	-	8,336,831
At 31 December 2003	501,234	5,728,767	371,588	697	6,602,286

Included within freehold land and buildings is £4,792,606 (2003 - £4,776,626) of non depreciable assets.

**Southwell Racecourse Limited**

**Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)**

**9 Stocks**

	2004 £	2003 £
Consumables and goods for resale	10,713	10,557
	<u>          </u>	<u>          </u>

**10 Debtors**

	2004 £	2003 £
Trade debtors	402,697	522,515
Amounts owed by group undertakings	6,982,263	5,513,778
Other debtors	114,348	39,337
Prepayments and accrued income	108,674	146,048
	<u>          </u>	<u>          </u>
	7,607,982	6,221,678
	<u>          </u>	<u>          </u>

All amounts shown under debtors fall due for payment within one year.

**11 Creditors: amounts falling due within one year**

	2004 £	2003 £
Bank overdraft	1,311,826	-
Horserace Betting Levy Board loans	-	10,000
Trade creditors	281,928	130,826
Corporation tax	4,651	200,000
Other creditors	39,140	52,629
Amounts owed to group undertakings	4,435,364	4,401,011
Other taxation and social security costs	12,724	10,305
Accruals and deferred income	917,319	1,102,571
	<u>          </u>	<u>          </u>
	7,002,952	5,907,342
	<u>          </u>	<u>          </u>

**Southwell Racecourse Limited**

**Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)**

**12 Accruals and deferred income**

	<b>Capital credits As restated £</b>
Balance at 1 January 2004 (as previously stated)	2,669,684
Prior year adjustment (note 2)	(2,669,684)
	<hr/>
Balance at 1 January 2004 (as restated) and 31 December 2004	-
	<hr/> <hr/>

**13 Share capital**

	<b>Authorised, allotted, called up and fully paid</b>			
	<b>2004 Number</b>	<b>2003 Number</b>	<b>2004 £</b>	<b>2003 £</b>
<i>Equity share capital</i>				
Ordinary shares of £1 each	140,000	140,000	140,000	140,000
<i>Non-equity share capital</i>				
8% preference shares of £1 each	50,000	50,000	50,000	50,000
	<hr/>	<hr/>	<hr/>	<hr/>
	190,000	190,000	190,000	190,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The preference shares have the following rights:

- Fixed cumulative preference dividend on the capital at a rate of 8% per annum payable on the 30 June and 31 December each year
- 5% of any dividend paid to the holders of the ordinary shares
- In the event of a winding up the shares have priority over all other shares and will be entitled to receive amounts equal to the issue price plus all arrears of preference dividend.
- No voting rights at any general meeting unless the business of the meeting is to wind up the company or change the rights attached to the preference shares.
- The shares may be redeemed at par at any time in whole or in part at the option of the company.

The preference shareholder has agreed to waive the payment of all cumulative unpaid dividends including the dividend for the year ended 31 December 2004. There are no unpaid preference dividends.



## Southwell Racecourse Limited

### Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

#### 14 Profit and loss account

	As restated £
Profit and loss reserve at 1 January 2004 (as previously stated)	4,533,386
Prior year adjustment (note 2)	2,669,684
	<hr/>
Profit and loss account at 1 January 2004 (as restated)	7,203,070
Profit for the year	1,563,993
	<hr/>
Profit and loss reserve at 31 December 2004	<b>8,767,062</b>
	<hr/>

#### 15 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £Nil (2003 - £828).

There were no pension creditors at the year end (2003 – Nil).

#### 16 Contingencies

The company has guaranteed the borrowings of its parent undertaking and fellow subsidiaries.

#### 17 Related party transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard 8, "Related Party Transactions", not to disclose transactions with entities that are included in the consolidated financial statements of Arena Leisure Plc.

#### 18 Cash flow statement

The company has used the exemption under Financial Reporting Standard 1, "Cash Flow Statements", not to prepare a cash flow statement as it is consolidated in the financial statements of its ultimate parent company.

#### 19 Ultimate parent company

The immediate parent company is R.A.M. Racing Leisure Limited.

The ultimate holding company is Arena Leisure Plc which is incorporated in Great Britain. A copy of the financial statements can be obtained from the company's registered office, 1 Hay Hill, Berkeley Square, London, W1J 6DH.