

**REGISTRAR OF
COMPANIES**

Southwell Racecourse Limited

Report and Financial Statements

Year Ended

31 December 2003

1603946



BDO Stoy Hayward
Chartered Accountants

Southwell Racecourse Limited

Annual report and financial statements for the year ended 31 December 2003

Contents

Directors

Page:

1	Report of the directors
3	Report of the independent auditors
5	Profit and loss account
6	Balance sheet
7	Notes forming part of the financial statements

Directors

I R Penrose
R I Renton
E C Taylor
R J Muddle
R Mercer

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 2003

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

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 (2002 - £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	
		2003	2002
I R Penrose		-	-
R I Renton		-	-
E C Taylor		-	-
R Mercer	(appointed 4 September 2003)	-	-
R J Muddle		1	1

I R Penrose is 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.

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.

Southwell Racecourse Limited

Report of the directors for the year ended 31 December 2003 (Continued)

Post balance sheet events

On 29 March 2004, *attheraces* terminated its media rights contract with the Racecourse Association ('RCA') and the 49 racecourses party to the contract. The termination right arose under a provision in respect of betting margins from the Tote. *attheraces* is relying upon provisions in the contract to pursue rebates from the racecourses.

On 5 April 2004, the OFT adopted that the 49 racecourses party to the media rights contract with *attheraces* had infringed the Competition Act 1998 by collectively selling their media rights to *attheraces*, but imposed no penalty.

Arena Leisure Plc and Sky are currently in negotiation with the individual racecourses and racecourse groups to establish a new media rights agreement with a view to launching a new *attheraces* channel on the Sky digital platform in the near future.

Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

On behalf of the Board

I R Penrose



Director

Date

22/4/04

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 2003 on pages 5 to 14 which have been prepared under the accounting policies set out on pages 7 and 8.

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.

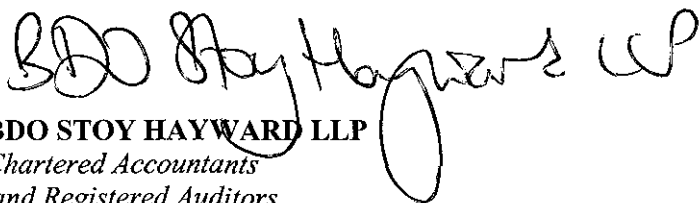
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors*
London

22 April 2004

Southwell Racecourse Limited**Profit and loss account for the year ended 31 December 2003**

	Note	2003 £	2002 £
Turnover	1	5,811,545	4,570,165
Cost of sales		3,485,377	3,041,322
Gross profit		<u>2,326,168</u>	<u>1,528,843</u>
Administrative expenses		1,161,923	1,171,573
Operating profit	4	<u>1,164,245</u>	<u>357,270</u>
Interest receivable and similar income		25,589	69,804
Interest payable and similar charges	5	(125,000)	-
Profit on ordinary activities before taxation		<u>1,064,834</u>	<u>427,074</u>
Taxation on profit on ordinary activities		(200,000)	-
Profit on ordinary activities after taxation and retained		<u>864,834</u>	<u>427,074</u>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The profit for the year represents the movement in shareholders' funds.

The notes on pages 7 to 14 form part of these financial statements.

Southwell Racecourse Limited

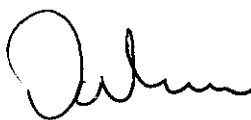
Balance sheet at 31 December 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	7		6,602,286		6,627,240
Current assets					
Stocks	8	10,557		6,297	
Debtors	9	6,221,678		5,585,965	
Cash at bank and in hand		465,891		8,832	
		<u>6,698,126</u>		<u>5,601,094</u>	
Creditors: amounts falling due within one year	10	<u>5,907,342</u>		<u>5,580,231</u>	
Net current assets			<u>790,784</u>		<u>20,863</u>
Total assets less current liabilities			<u>7,393,070</u>		<u>6,648,103</u>
Creditors: amounts falling due after more than one year	11		-		10,000
Accruals and deferred income	12		<u>2,669,684</u>		<u>2,779,551</u>
			<u>4,723,386</u>		<u>3,858,552</u>
Capital and reserves					
Called up share capital	13		190,000		190,000
Profit and loss account			<u>4,533,386</u>		<u>3,668,552</u>
Shareholders' funds			<u>4,723,386</u>		<u>3,858,552</u>

Included within shareholders' funds is £50,000 (2002 - £50,000) of non-equity interests.

The financial statements were approved by the Board on 22/4/04

I R Penrose
Director



The notes on pages 7 to 14 form part of these financial statements.

Southwell Racecourse Limited

Notes forming part of the financial statements for the year ended 31 December 2003

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

During the year, the company received income from the grant of its media rights to *attheraces*. The income due to the company over the contract period of up to ten years, includes an up-front premium receivable within the first full year of the contract which commenced on 1 July 2002. It is the company's policy to release this premium to the profit and loss account over the ten year period, *pro rata* to future scheduled rights payments.

Depreciation

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

Freehold buildings	-	2% per annum
All weather track	-	Surface — 10% per annum
	-	Base — 3.33% per annum
Plant and equipment	-	10% on cost
Motor vehicles	-	25% on cost

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.

Southwell Racecourse Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

1 Accounting policies (Continued)

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.

Capital credits

Capital credits are 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.

2 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

	2003 Number	2002 Number
Management and administration	7	7
Customer service	16	19
	<hr/>	<hr/>
	23	26
	<hr/>	<hr/>
	£	£
Wages and salaries	313,399	348,174
Social security costs	31,173	30,361
Pension	828	3,027
	<hr/>	<hr/>
	345,400	381,562
	<hr/>	<hr/>

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 2003 was £112,016 (2002 - £138,542).

Southwell Racecourse Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

3 Directors

	2003 £	2002 £
Directors' emoluments consist of:		
Fees and remuneration for management services	-	7,278

4 Operating profit

	2003 £	2002 £
This is stated after charging/(crediting):		
Group management charges	907,000	816,000
Depreciation of tangible fixed assets	119,915	110,684
Auditors' remuneration	9,000	9,000
(Profit)/loss on disposal of fixed assets	(21,891)	4,229

5 Interest payable and similar charges

	2003 £	2002 £
Interest on late payment of corporation tax	125,000	-

Southwell Racecourse Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

6 Taxation

	2003 £	2002 £
<i>UK corporation tax</i>		
Current tax on profits for the year	-	-
Adjustment in respect of previous periods	200,000	-
	<hr/>	<hr/>
Total current tax	200,000	-
	<hr/>	<hr/>
Taxation on profit on ordinary activities	200,000	-
	<hr/> <hr/>	<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:

	2003 £	2002 £
<i>Tax reconciliation</i>		
Factors affecting tax charge for the year:		
Profit on ordinary activities	1,064,834	427,074
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 – 30%)	319,450	128,122
Effects of:		
Expenses not deductible for tax purposes	58,107	8,984
Income not assessable to tax	(38,960)	(17,072)
Short term timing differences	(172)	(713)
Depreciation in excess of capital allowances	11,960	4,707
Losses (utilised) in year	(12,228)	(96,563)
Group relief (claimed)	(338,157)	(27,465)
Adjustment to prior year tax charge	200,000	-
	<hr/>	<hr/>
Current tax charge for year	200,000	-
	<hr/> <hr/>	<hr/> <hr/>

Southwell Racecourse Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

6 Taxation (Continued)

Unrecognised deferred tax

	2002 £	Movement in the year £	2003 £
Accelerated capital allowances	43,914	60,881	104,795
Tax losses	(383,144)	-	(383,144)
Unrecognised deferred tax assets	(339,230)	60,881	278,349

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.

7 Tangible assets

	All weather track £	Freehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
<i>Cost</i>					
At 1 January 2003	923,611	5,832,980	798,684	65,488	7,620,763
Additions	-	-	104,117	-	104,117
Disposals	-	(2,665)	(305,755)	(42,170)	(350,590)
At 31 December 2003	923,611	5,830,315	597,046	23,318	7,374,290
<i>Depreciation</i>					
At 1 January 2003	385,294	80,475	468,792	58,962	993,523
Provided for the year	37,083	21,073	55,930	5,829	119,915
Disposals	-	-	(299,264)	(42,170)	(341,434)
At 31 December 2003	422,377	101,548	225,458	22,621	772,004
<i>Net book value</i>					
At 31 December 2003	501,234	5,728,767	371,588	697	6,602,286
At 31 December 2002	538,317	5,752,505	329,892	6,526	6,627,240

Included within freehold land and buildings is £4,776,626 (2002 - £4,786,000) of non depreciable assets.

Southwell Racecourse Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

8 Stocks

	2003 £	2002 £
Consumables and goods for resale	10,557	6,297

9 Debtors

	2003 £	2002 £
Trade debtors	522,515	228,777
Amounts owed by group undertakings	5,513,778	5,306,490
Other debtors	39,337	25,618
Prepayments and accrued income	146,048	25,080
	<u>6,221,678</u>	<u>5,585,965</u>

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

10 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank overdraft	-	42,367
Horserace Betting Levy Board loans	10,000	20,000
Trade creditors	130,826	149,961
Corporation tax	200,000	-
Other creditors	52,629	35,629
Amounts owed to group undertakings	4,401,011	4,399,709
Other taxation and social security costs	10,305	8,911
Accruals and deferred income	1,102,571	923,654
	<u>5,907,342</u>	<u>5,580,231</u>

11 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Horserace Betting Levy Board loans	-	10,000

The loan is repayable in instalments as follows:

In more than one year but not more than two years	-	10,000
---	---	--------

Southwell Racecourse Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

12 Accruals and deferred income

	Capital credits £
Balance at 1 January 2003	2,779,551
Capital credits received in year	20,000
Amortisation	(129,867)
	<hr/>
Balance at 31 December 2003	2,669,684
	<hr/>

13 Share capital

	Authorised, allotted, called up and fully paid			
	2003 Number	2002 Number	2003 £	2002 £
<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/>

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 2003. There are no unpaid preference dividends.

Southwell Racecourse Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

14 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 £828 (2002 - £2,830).

There were no pension creditors at the year end (2002 - Nil).

15 Contingencies

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

16 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.

17 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.

18 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.

19 Post balance sheet events

On 29 March 2004, *attheraces* terminated its media rights contract with the Racecourse Association ('RCA') and the 49 racecourses party to the contract. The termination right arose under a provision in respect of betting margins from the Tote. *attheraces* is relying upon provisions in the contract to pursue rebates from the racecourses.

On 5 April 2004, the OFT adopted that the 49 racecourses party to the media rights contract with *attheraces* had infringed the Competition Act 1998 by collectively selling their media rights to *attheraces*, but imposed no penalty.

Arena Leisure Plc and Sky are currently in negotiation with the individual racecourses and racecourse groups to establish a new media rights agreement with a view to launching a new *attheraces* channel on the Sky digital platform in the near future.