

**Northern Races Limited (formerly Northern
Racing Limited)**

**Directors' report and financial
statements**

Registered number 2928971

31 December 2004



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Directors' report

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

Change of name

On 4 June 2004 the company changed its name from Northern Racing Limited to Northern Races Limited.

Principal activities

The principal activity is that of a holding company. Its subsidiaries operate the racecourses at Bath, Brighton, Fontwell Park, Great Yarmouth, Hereford, Newcastle, Sedgefield and Uttoxeter.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend (2003: Nil). The loss for the year of £1,499,473 (2003: £526,031) has been transferred to the profit and loss account.

Directors and their interests

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

Sir Stanley W Clarke	(Deceased 19 September 2004)
Simon W Clarke	
RG Street	
AB Kelly	(Appointed 10 September 2004)
JL Gerrard-Pearse	(Resigned 4 June 2004)
CCA Glossop	(Resigned 4 June 2004)
SR Jones	(Resigned 4 June 2004)
GH Stow	(Resigned 4 June 2004)
PJD Pottinger	(Resigned 4 June 2004)
MB Stokes	(Resigned 3 September 2004)
SM Clare	(Appointed 4 June 2004)

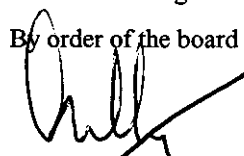
None of the directors had any interest in the shares of the company.

The directors were all directors of the parent company, Northern Racing PLC, during the year and their interests in the shares of group companies are shown in the accounts of that company.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution is to be proposed at the forthcoming Annual General Meeting for the re-appointment of KPMG Audit Plc as auditors of the company.

By order of the board



AB Kelly
Secretary

Dunstall Estate Office
Dunstall Hall
Burton Upon Trent
Staffordshire
DE13 8BE

8 June 2005

Statement of 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 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 United Kingdom 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF24 0TE
United Kingdom

Independent auditors' report to the members of Northern Races Limited

We have audited the financial statements on pages 4 to 14.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit opinion

We conducted our audit in accordance with 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.

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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants
Registered Auditor*

10 June 2005

Profit and loss account
for the year ended 31 December 2004

	<i>Note</i>	2004 £	2003 £
Turnover		99,922	1,172,250
Cost of sales		(99,797)	-
		<hr/>	<hr/>
Gross profit		125	1,172,250
Administrative expenses		(1,277,396)	(1,582,133)
		<hr/>	<hr/>
Operating loss	<i>3</i>	(1,277,271)	(409,883)
Interest received – group		-	405,653
Interest payable and similar charges	<i>4</i>	(850,861)	(703,381)
Profit on sale of fixed assets		2,598	-
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(2,125,534)	(707,611)
Tax on loss on ordinary activities	<i>5</i>	626,061	181,580
		<hr/>	<hr/>
Loss for the financial year	<i>13</i>	(1,499,473)	(526,031)
		<hr/>	<hr/>

All activities derive from continuing operations.


There are no recognised gains or losses other than the profit or loss for the financial periods. Accordingly, no statement of total recognised gains and losses is given.


Balance sheet
at 31 December 2004

	Note	2004		2003	
		£	£	£	£
Fixed assets					
Tangible assets	6		62,224		56,872
Investments	7		20,316,941		20,316,941
			<u>20,379,165</u>		<u>20,373,813</u>
Current assets					
Debtors (includes debtors due after more than one year of £Nil (2003: £1,698,563))	8	6,450,412		5,708,196	
Creditors: amounts falling due within one year	9	<u>(15,532,571)</u>		<u>(15,082,414)</u>	
Net current liabilities			<u>(9,082,159)</u>		<u>(9,374,218)</u>
Total assets less current liabilities			<u>11,297,006</u>		<u>10,999,595</u>
Creditors: amounts falling due after more than one year	10		<u>(8,864,772)</u>		<u>(7,067,888)</u>
			<u>2,432,234</u>		<u>3,931,707</u>
Capital and reserves					
Called up share capital	12		1,317,504		1,317,504
Share premium			4,131,350		4,131,350
Profit and loss account – deficiency	13		<u>(3,016,620)</u>		<u>(1,517,147)</u>
Equity shareholders' funds	14		<u>2,432,234</u>		<u>3,931,707</u>

These financial statements were approved by the board of directors on behalf by:


A B Kelly
 Director


Simon W Clarke
 Director

 2005 and were signed on its

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Basis of preparation

The financial statements are prepared under the historical cost convention.

The company is exempt from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Tangible fixed assets

Depreciation of fixed assets is calculated to write off the cost of the assets in equal annual instalments over their estimated useful lives as follows:

Plant, machinery, fixtures and fittings	5 or 10 years
Motor vehicles	4 years

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Full provision for deferred taxation is made under the liability method without discounting, on all timing differences that have arisen but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19.

Pension costs

The Company operates an externally administered, contributory, defined contribution pension scheme for all eligible employees. Pension costs are charged to the profit and loss account as they fall due.

2 Directors and employees

(a) Directors' emoluments

	2004 £	2003 £
Emoluments (including pension contributions)	517,836	423,039
Remuneration of the highest paid director	136,996	141,380
Pension contribution for the highest paid director	8,625	7,500
Total emoluments of the highest paid director	145,621	148,880
No. of directors who are members of the defined contribution scheme	2	3

Notes (continued)

2 Directors and employees (continued)

(b) Staff

	2004 No	2003 No
Average number of persons employed		
Management & Administration	10	10
Other staff	6	6
	<hr/> 16	<hr/> 16
	<hr/> £	<hr/> £
Staff costs during the year		
Wages and salaries	732,634	678,146
Social security costs	88,016	47,992
Other pension costs	22,368	22,825
	<hr/> 843,018	<hr/> 748,963

3 Operating loss

	2004 £	2003 £
<i>Operating loss is after charging</i>		
Depreciation of tangible fixed assets	28,303	17,622
Auditors' remuneration		
Audit services	10,000	12,000
Non audit services	-	-
Rentals under other operating leases	59,786	76,434
	<hr/>	<hr/>

4 Interest payable and similar charges

	2004 £	2003 £
Interest on bank overdraft and loans	698,105	523,572
Interest on loan notes	152,756	179,809
	<hr/> 850,861	<hr/> 703,381

Notes (continued)

5 Taxation

	2004 £	2003 £
Corporation tax		
United Kingdom corporation tax at 30% (2003: 30%) based on the profit/loss for the year	(610,608)	(180,903)
Adjustment in respect of prior years	(15,391)	(677)
	<hr/>	<hr/>
Total current tax credit	(625,999)	(181,580)
Deferred taxation		
Timing differences, origination and reversal	(170)	-
Adjustment in respect of prior years	108	-
	<hr/>	<hr/>
	(626,061)	(181,580)
	<hr/>	<hr/>

	2004 £	2003 £
Reconciliation of current tax charge		
Loss on ordinary activities before tax	(2,125,534)	(707,611)
	<hr/>	<hr/>
Tax at 30% thereon	(637,660)	(212,283)
Expenses not deductible for tax purposes	26,882	31,507
Capital allowances in excess of depreciation	170	(127)
Prior year adjustments	(15,391)	(677)
	<hr/>	<hr/>
Total current tax credit	(625,999)	(181,580)
	<hr/>	<hr/>

Notes (continued)

6 Tangible fixed assets

	Plant and machinery £	Motor Vehicles £	Fixtures and Fittings £	Total £
<i>Cost</i>				
At 1 January 2004	61,336	19,012	10,280	90,628
Additions	18,646	-	24,911	43,557
Disposals	(10,587)	(19,012)	-	(29,599)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	69,395	-	35,191	104,586
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>				
At 1 January 2004	23,697	5,941	4,118	33,756
Charge for the year	15,566	3,169	9,568	28,303
Disposals	(10,587)	(9,110)	-	(19,697)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	28,676	-	13,686	42,362
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2004	40,719	-	21,505	62,224
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	37,639	13,071	6,162	56,872
	<hr/>	<hr/>	<hr/>	<hr/>

7 Investments held as fixed assets

	Investments in subsidiaries £	Other investments £	Total £
<i>Cost and net book value</i>			
At 1 January 2004 and at 31 December 2004	20,216,897	100,044	20,316,941
	<hr/>	<hr/>	<hr/>

Other investments

This represents an investment at cost in Satellite Information Services (Holdings) Limited.

Notes (continued)

Investments held as fixed assets (continued)

Investments in subsidiaries

The investment represents:

Subsidiary name	Proportion of shares held	Nature of Principal business
The Bath Racecourse Company Limited	100.0%	Racecourse management
Hereford Racecourse Company Limited	100.0%	Racecourse management
High Gosforth Park Limited	100.0%	Racecourse management
Uttoxeter Leisure and Development Company Limited	92.4%	Racecourse management
Brighton Racecourse Company Limited	81.0%	Racecourse management
Sedgefield Steeplechase Company (1972) Limited	99.2%	Racecourse management
Great Yarmouth Racecourse Limited	81.0%	Racecourse management
Fontwell Park (Holdings) Limited	100.0%	Racecourse management

All are registered in England and Wales. The directors consider that the investments are worth at least the amount stated.

8 Debtors

	2004 £	2003 £
<i>Amounts falling due within one year</i>		
Trade debtors	299,617	603,158
Amount due from subsidiary companies	5,028,060	4,760,515*
Other debtors	295,985	314,454
Prepayments and accrued income	14,534	30,069
Group relief receivable	812,216	-
	<hr/>	<hr/>
	6,450,412	5,708,196
	<hr/>	<hr/>

*Includes £Nil due after more than one year (2003: £1,698,563).

Notes (continued)

9 Creditors: amounts falling due within one year

	2004 £	2003 £
Bank loan (note 11)	1,890,712	1,096,185
Bank overdraft (note 11)	6,091,912	5,687,548
Unsecured redeemable loan notes (note 11)	2,772,215	3,100,644
Other loan (Note 11)	605,884	-
Trade creditors	114,742	501,200
Amounts due to fellow group companies	3,490,760	4,325,783
Corporation tax	60,000	60,000
Other tax and social security	27,516	-
Other creditors	114,383	38,631
Accruals	315,999	272,423
Hire purchase creditor	48,448	-
	<hr/>	<hr/>
	15,532,571	15,082,414
	<hr/>	<hr/>

The hire purchase creditor is secured against assets held as tangible fixed assets in the accounts of various racecourses. The aggregate net book value of these assets at 31 December 2004 is £148,487 (2003: £Nil) with accumulated depreciation at 31 December 2004 of £5,521 (2003: £Nil).

10 Creditors: Amounts falling due after more than one year

	2004 £	2003 £
Bank loan (note 11)	8,816,324	6,462,004
Other loan (note 11)	-	605,884
Hire purchase creditor	48,448	-
	<hr/>	<hr/>
	8,864,772	7,067,888
	<hr/>	<hr/>

Notes (continued)

11 Borrowings

	2004 £	2003 £
Bank loans	10,707,036	7,558,189
Other loan	605,884	605,884
Unsecured redeemable loan notes	2,772,215	3,100,644
Bank overdraft	6,091,912	5,687,548
Hire purchase creditor	96,896	-
	<u>20,273,943</u>	<u>16,952,265</u>
Due within one year	11,409,171	9,884,377
Due after one year	8,864,772	7,067,888
	<u>20,273,943</u>	<u>16,952,265</u>

Analysis of loan repayments

	2004 £	2003 £
Bank loans and overdrafts		
In one year or less or on demand	7,982,624	6,783,733
In more than one year but not more than two years	1,890,712	496,192
In more than two years but not more than five years	5,672,136	1,488,576
In more than five years	1,253,476	4,477,236
Other loans and loan notes		
In one year or less or on demand	3,426,547	3,100,644
In more than one year but not more than two years	48,448	605,884
	<u>20,273,943</u>	<u>16,952,265</u>

(a) Unsecured redeemable loan notes

These are repayable on demand at six monthly intervals. They comprise loan notes repayable by 2005 of £455,505 (2003: £463,505), those repayable by 2006 of £2,316,710 (2003: £2,426,232).

As these are also repayable on demand at six monthly intervals they have been treated as current liabilities. In January 2005 £905,933 of loan notes were redeemed, the outstanding balance as at 31 January 2005 was £1,866,282.

(b) Bank loan and overdraft

The bank loan and overdraft are subject to interest rates of 1.0% above base rate. The loan is repayable by annual instalments ending in 2009. The Group loan and overdraft facilities are secured by legal charges over the racecourse properties. The balance outstanding at 31 December 2004 for the loan was £10,707,036 (2003: £7,558,189) and the overdraft was £6,091,912 (2003: £5,687,548).

(c) Other loan

Other loan comprises an amount due to St Modwen Properties plc of £605,884. The amount is interest free until 31 December 2005. It is repayable on demand from 31 December 2005.

Notes (continued)

12 Called up share capital

	2004 £	2003 £
<i>Authorised</i>		
'A' ordinary shares of £1 each	975,000	975,000
'B' ordinary shares of £1 each	525,000	525,000
	<hr/>	<hr/>
	1,500,000	1,500,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
'A' ordinary shares of £1 each	855,629	855,629
'B' ordinary shares of £1 each	461,875	461,875
	<hr/>	<hr/>
	1,317,504	1,317,504
	<hr/>	<hr/>

A and B shares rank equally in all respects.

13 Reserves

	Profit and loss account £
Balance at 1 January 2004	(1,517,147)
Loss for the year	(1,499,473)
	<hr/>
Balance at 31 December 2004	(3,016,620)
	<hr/>

14 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Loss for the financial year	(1,499,473)	(526,031)
	<hr/>	<hr/>
Net reduction in shareholders' funds	(1,499,473)	(526,031)
Opening shareholders' funds	3,931,707	4,457,738
	<hr/>	<hr/>
Closing shareholders' funds	2,432,234	3,931,707
	<hr/>	<hr/>

Notes (continued)

15 Operating lease commitments

At 31 December 2004, the company was committed to making the following payments during the next year in respect of other operating leases which expire:

	2004		2003	
	Land and buildings £	Plant and equipment £	Land and buildings £	Plant and equipment £
Leases which expire:				
Within one year	-	1,147	-	9,282
In second to fifth years	51,660	69,770	-	41,997
Over five years	-	-	51,660	2,879
	<hr/>	<hr/>	<hr/>	<hr/>
	51,660	70,917	51,660	54,158
	<hr/>	<hr/>	<hr/>	<hr/>

16 Related parties

St Modwen Properties plc is considered to be a related party with whom there are no discloseable related party transactions other than the loan disclosed in note 11.

There are no related party transactions with other group companies other than group financing arrangements with subsidiary companies.

17 Ultimate parent company

The ultimate parent company is Northern Racing PLC, a company registered in England and Wales. Copies of the report and accounts are available from the Registered Office at The Racecourse, Chepstow, Monmouthshire, NP16 3BE.