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**Northern Races Limited (Formerly Northern
Racing Limited)**

**Directors' report and financial
statements**

Registered number 2928971

31 December 2003



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Contents

Directors' report	1
Statement of directors' responsibilities	2
Independent auditors' report to the members of Northern Races Limited (Formerly Northern Racing Limited)	3
Profit and loss account	4
Balance sheet	5
Notes	6

Directors' report

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

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 (2002: Nil). The loss for the year of £526,031 (2002: £108,967) has been transferred to the profit and loss account.

Directors and their interests

The following were directors of the company during the year were:

Sir Stanley W Clarke
Simon W Clarke
RG Street
MB Stokes resigned 3 September 2004
Jane L Gerrard-Pearse
CCA Glossop
SR Jones
WA Oliver resigned 13 October 2003
GH Stow
PJD Pottinger

On 10 September 2004 AB Kelly was appointed a director of the company.

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

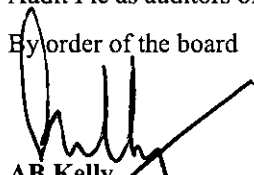
The directors were all directors of the parent company, The Chepstow Racecourse PLC, during the year and their interests in the shares of group companies are shown in the accounts of that company.

The directors are sad to report the death of Sir Stanley W Clarke on 19 September 2004.

Auditors

Deloitte & Touche resigned as auditors during the year and KPMG Audit Plc were appointed by the directors in their place. A resolution is to be proposed at the forthcoming Annual General Meeting for the 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

19 October 2004

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; 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 (Formerly Northern Racing Limited)

We have audited the financial statements on pages 4 to 12.

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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants
Registered Auditor

25 October 2004

Profit and loss account
for the year ended 31 December 2003

	<i>Note</i>	2003 £	2002 £
Turnover		1,172,250	1,366,334
Cost of sales		-	-
Gross profit		1,172,250	1,366,334
Administrative expenses		(1,582,133)	(1,290,238)
Operating (loss)/profit	3	(409,883)	76,096
Interest received – group		405,653	320,226
Interest payable and similar charges	4	(703,381)	(521,373)
Loss on ordinary activities before taxation		(707,611)	(125,051)
Tax on loss on ordinary activities	5	181,580	16,084
Loss for the financial year	13	(526,031)	(108,967)

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 2003

	Note	2003	2002
		£	£
Fixed assets			
Tangible assets	6	56,872	47,503
Investments	7	20,316,941	20,308,907
		<u>20,373,813</u>	<u>20,356,410</u>
Current assets			
Debtors (includes debtors due after more than one year of £1,698,563, (2002: £1,433,333))	8	5,708,196	4,142,541
Creditors: amounts falling due within one year	9	<u>(15,082,414)</u>	<u>(13,398,306)</u>
Net current liabilities		<u>(9,374,218)</u>	<u>(9,255,765)</u>
Total assets less current liabilities		<u>10,999,595</u>	<u>11,100,645</u>
Creditors: amounts falling due after more than one year	10	<u>(7,067,888)</u>	<u>(6,642,907)</u>
		<u>3,931,707</u>	<u>4,457,738</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>(1,517,147)</u>	<u>(991,116)</u>
Equity shareholders' funds	14	<u>3,931,707</u>	<u>4,457,738</u>

These financial statements were approved by the board of directors on 19th October 2004 and were signed on its behalf by:



RG Street
Director



Simon W Clarke
Director

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:

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

	2003 £	2002 £
Emoluments (including pension contributions)	423,039	334,493
Remuneration of the highest paid director	141,380	112,967
Pension contribution for the highest paid director	7,500	4,000
Total emoluments of the highest paid director	148,880	116,967
No. of directors who are members of the defined contribution scheme	3	3

Notes (continued)

2 Directors and employees (continued)

(b) Staff

	2003 No	2002 No
Average number of persons employed		
Management & Administration	10	10
Other staff	6	10
	<hr/>	<hr/>
	16	20
	<hr/>	<hr/>
	£	£
Staff costs during the year		
Wages and salaries	678,146	479,662
Social security costs	47,992	43,839
Other pension costs	22,825	13,709
	<hr/>	<hr/>
	748,963	537,210
	<hr/>	<hr/>

3 Operating (loss)/profit

	2003 £	2002 £
<i>Operating (loss)/profit is after charging/(crediting)</i>		
Depreciation of tangible fixed assets	17,622	16,070
Auditors' remuneration		
Audit services	12,000	15,000
Non audit services	-	1,450
Rentals under other operating leases	76,434	76,434
	<hr/>	<hr/>

4 Interest payable and similar charges

	2003 £	2002 £
Interest on bank overdraft and loans	523,572	346,297
Interest on loan notes	179,809	175,076
	<hr/>	<hr/>
	703,381	521,373
	<hr/>	<hr/>

Notes (continued)

5 Taxation

	2003 £	2002 £
Corporation tax		
United Kingdom corporation tax at 30% (2002: 30%) based on the profit /loss for the year	-	-
Adjustment in respect of prior years	(677)	65,550
Group loss relief	(180,903)	(81,634)
	<hr/>	<hr/>
Total current tax credit	(181,580)	(16,084)
	<hr/>	<hr/>
	2003 £	2002 £
Reconciliation of current tax charge		
Loss on ordinary activities before tax	(707,611)	(125,051)
	<hr/>	<hr/>
Tax at 30% thereon	(212,283)	(37,515)
Expenses not deductible for tax purposes	31,507	14,435
Capital allowances in excess of depreciation	(127)	(274)
Prior year group loss relief	-	(58,280)
Prior year adjustments	(677)	65,550
	<hr/>	<hr/>
Total current tax credit	(181,580)	(16,084)
	<hr/>	<hr/>

6 Tangible fixed assets

	Plant and machinery	Motor Vehicles	Fixtures and Fittings	Total
	£	£	£	
Cost				
At 1 January 2003	37,018	19,012	30,535	86,565
Additions	27,302	-	1,724	29,026
Disposals	(2,984)	-	(21,979)	(24,963)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	61,336	19,012	10,280	90,628
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
At 1 January 2003	13,946	1,188	23,928	39,062
Charge for the year	10,700	4,753	2,169	17,622
Disposals	(949)	-	(21,979)	(22,928)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	23,697	5,941	4,118	33,756
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2003	37,639	13,071	6,162	56,872
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	23,072	17,824	6,607	47,503
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

7 Investments held as fixed assets

	Investments in subsidiaries £	Other investments £	Total £
<i>Cost and net book value</i>			
At 1 January 2003	20,208,863	100,044	20,308,907
Additions	8,034	-	8,034
	<hr/>	<hr/>	<hr/>
At 31 December 2003	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.

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

	2003 £	2002 £
<i>Amounts falling due within one year</i>		
Trade debtors	603,158	22,601
Amount due from subsidiary companies	4,760,515*	3,889,365*
Other debtors	314,454	230,575
Prepayments and accrued income	30,069	-
	<hr/>	<hr/>
	5,708,196	4,142,541
	<hr/>	<hr/>

*Includes £1,698,563 due after more than one year (2002: £1,433,333).

Notes (continued)

9 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank loan (note 11)	1,096,185	1,668,000
Bank overdraft (note 11)	5,687,548	3,543,531
Unsecured redeemable loan notes (note 11)	3,100,644	3,513,246
Trade creditors	501,200	151,189
Amounts due to shareholders of parent company	-	1,746,147
Amounts due to fellow group companies	4,325,783	2,283,726
Corporation tax	60,000	72,412
Other creditors	38,631	139,600
Accruals	272,423	280,455
	<u>15,082,414</u>	<u>13,398,306</u>

10 Creditors: Amounts falling due after more than one year

	2003 £	2002 £
Bank loan (note 11)	6,462,004	6,432,000
Unsecured redeemable loan notes (note 11)	-	210,907
Other loan (note 11)	605,884	-
	<u>7,067,888</u>	<u>6,642,907</u>

11 Borrowings

	2003 £	2002 £
Bank loans	7,558,189	8,100,000
Other loan	605,884	-
Unsecured redeemable loan notes	3,100,644	3,724,153
Bank overdraft	5,687,548	3,543,531
	<u>16,952,265</u>	<u>15,367,684</u>
Due within one year	9,884,377	8,724,777
Due after one year	7,067,888	6,642,907
	<u>16,952,265</u>	<u>15,367,684</u>

Notes (continued)

11 Borrowings (continued)

Analysis of loan repayments

	2003 £	2002 £
Bank loans and overdrafts		
In one year or less on demand	6,783,733	5,211,531
In more than one year but not more than two years	496,192	1,068,000
In more than two years but not more than five years	1,488,576	3,204,000
In more than five years	4,477,236	2,160,000
Other loans and loan notes		
In one year or less or on demand	3,100,644	3,513,246
In more than one year but not more than two years	605,884	210,907
	<u>16,952,265</u>	<u>15,367,684</u>

(a) Unsecured redeemable loan notes

These are repayable on demand at six monthly intervals. They comprise loan notes repayable by 2004 of £210,907 (2002: £370,908), those repayable by 2005 of £463,505 (2002: £210,907), those repayable by 2006 of £2,426,232 (2002: £537,145).

(b) Bank loan and overdraft

The bank loan overdraft is 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 2003 for the loan was £7,558,189 (2002: 8,100,000) and the overdraft was £ 5,687,548 (2002: £3,543,531).

(c) Other loan

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

12 Called up share capital

	2003 £	2002 £	2003 £	2002 £
Authorised				
'A' ordinary shares of £1 each	975,000	975,000	975,000	975,000
'B' ordinary shares of £1 each	525,000	525,000	525,000	525,000
	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
Allotted, called up and fully paid				
'A' ordinary shares of £1 each	855,629	855,629	855,629	855,629
'B' ordinary shares of £1 each	461,875	461,875	461,875	461,875
	<u>1,317,504</u>	<u>1,317,504</u>	<u>1,317,504</u>	<u>1,317,504</u>

A and B shares rank equally in all respects.

Notes (continued)

13 Reserves

	Profit and loss account £
Balance at 1 January 2003	(991,116)
Loss for the year	(526,031)
Balances at 31 December 2003	(1,517,147)

14 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Loss for the financial year	(526,031)	(108,967)
Net reduction in shareholders' funds	(526,031)	(108,967)
Opening shareholders' funds	4,457,738	4,566,705
Closing shareholders' funds	3,931,707	4,457,738

15 Operating lease commitments

At 31 December 2003, the company was committed to making the following payments during the next year in respect of other operating leases which expire:

	2003 Land and buildings £	2003 Plant and equipment £	2002 Plant and equipment £
Leases which expire:			
Within one year	-	9,282	-
In second to fifth years	-	41,997	28,935
Over five years	51,660	2,879	5,744
	51,660	54,158	34,679

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, formerly The Chepstow Racecourse 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.