

**Deloitte &
Touche**

Deloitte Touche
Tohmatsu



Company Registration No. 2928971

NORTHERN RACING LIMITED

Report and Financial Statements

31 December 1998

**Deloitte & Touche
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN**



DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 1998.

PRINCIPAL ACTIVITY

The group carries on business as racecourse and estate owner.

BUSINESS REVIEW AND FUTURE PROSPECTS

The group achieved a profit after taxation of £86,630 (1997 - £180,014) after taking account of a capital credit adjustment of £629,850 (1997 - £236,680).

The investments in High Gosforth Park Limited and Uttoxeter Leisure and Development Company Limited are progressing well and the directors look forward to continued success in the future.

On 5 February 1998, Northern Racing became a 81% shareholder in Brighton Racecourse Company Limited which operates Brighton Racecourse. The directors are pleased with the progress made at Brighton since its acquisition.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (1997 - £nil). The profit for the year of £86,630 (1997 - £180,014) has been added to the deficit on the profit and loss account.

DIRECTORS AND THEIR INTERESTS

The following were directors of the company during the year:

S W Clarke
C C A Glossop
P E Doona
J Gerard-Pearse

None of the directors had any interests in the shares of the company or its subsidiaries. The relevant interest of Mr S W Clarke in the shares of the ultimate parent company are disclosed in that company's directors' report.

YEAR 2000

A full review of the systems and operational implications of the Year 2000 computer issues has been carried out. Full compliance for internal applications is being met by the normal upgrade and replacement of IT equipment. Total costs of full compliance are not expected to be material.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



P E DOONA
Secretary

**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 the group as at the end of the financial year and of the profit or loss of the group 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



AUDITORS' REPORT TO THE MEMBERS OF

NORTHERN RACING LIMITED

We have audited the financial statements on pages 4 to 19 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 and the group'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 affairs of the company and the group as at 31 December 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors

9 April 1999


CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 1998

	Note	£	1998 £	£	1997 £
TURNOVER	1				
Continuing operations		3,645,389		3,655,784	
Acquisitions		433,361		-	
		<u> </u>		<u> </u>	
Total turnover			4,078,750		3,655,784
Cost of sales			(2,070,416)		(1,875,902)
			<u> </u>		<u> </u>
Gross profit			2,008,334		1,779,882
Administrative expenses			(1,897,109)		(1,287,404)
			<u> </u>		<u> </u>
OPERATING PROFIT	4				
Continuing operations		256,341		492,478	
Acquisitions		(145,116)		-	
		<u> </u>		<u> </u>	
Total operating profit			111,225		492,478
Dividends receivable			453,804		33,129
Interest payable and similar charges	5		(294,530)		(247,231)
			<u> </u>		<u> </u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			270,499		278,376
Tax on profit on ordinary activities	6		(147,633)		(79,000)
			<u> </u>		<u> </u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			122,866		199,376
Equity minority interest	19		(36,236)		(19,362)
			<u> </u>		<u> </u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	18		86,630		180,014
			<u> </u>		<u> </u>

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

CONSOLIDATED BALANCE SHEET
31 December 1998

	Note	£	1998 £	£	1997 £
FIXED ASSETS					
Intangible assets	7		160,130		106,842
Tangible assets	8		13,197,478		11,623,180
Investments	9		98,338		-
			<u>13,455,946</u>		<u>11,730,022</u>
CURRENT ASSETS					
Stocks	10	3,833		8,482	
Debtors	11	1,167,370		448,184	
Investments	12	1,188		1,188	
Cash at bank and in hand		17,968		14,678	
			<u>1,190,359</u>	<u>472,532</u>	
CREDITORS: amounts falling due within one year	13	(3,469,619)		(2,131,320)	
NET CURRENT LIABILITIES			<u>(2,279,260)</u>		<u>(1,658,788)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			11,176,686		10,071,234
CREDITORS: amounts falling due after more than one year	14		(4,804,574)		(3,997,040)
			<u>6,372,112</u>	<u>6,074,194</u>	
DEFERRED INCOME	16		2,027,457		1,850,390
CAPITAL AND DEFICIENCY					
Called up share capital	17	1,152,250		1,152,250	
Capital reserve	18	2,962,734		2,962,734	
Profit and loss account – deficiency	18	(94,777)		(181,407)	
EQUITY SHAREHOLDERS' FUNDS	20		4,020,207		3,933,577
EQUITY MINORITY INTEREST	19		324,448		290,227
			<u>6,372,112</u>	<u>6,074,194</u>	

These financial statements were approved by the Board of Directors on 5 August 1999
Signed on behalf of the Board of Directors

P. Doona

P E DOONA
Director



BALANCE SHEET
31 December 1998

	Note	£	1998 £	£	1997 £
FIXED ASSETS					
Investments	9		3,633,109		3,534,671
CURRENT ASSETS					
Debtors	11	1,157,995		7,976	
CREDITORS: amounts falling due within one year	13	(1,737,473)		(1,041,978)	
NET CURRENT LIABILITIES			(579,478)		(1,034,002)
TOTAL ASSETS LESS CURRENT LIABILITIES			3,053,631		2,500,669
CREDITORS: amounts falling due after more than one year	14		(2,900,000)		(2,000,000)
			153,631		500,669
CAPITAL AND RESERVES					
Called up share capital	17		1,152,250		1,152,250
Profit and loss account – deficit	18		(998,619)		(651,581)
EQUITY SHAREHOLDERS' FUNDS			153,631		500,669

These financial statements were approved by the Board of Directors on 5 August 1999
Signed on behalf of the Board of Directors

P. Doona.

P E DOONA

Director


CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 1998

	Note	1998 £	1997 £
Cash flow inflow operating activities	21	230,982	1,021,648
Returns on investments and servicing of finance			
Interest paid		(294,530)	(247,231)
Dividends paid to minority interests		(2,015)	(2,014)
Dividends received		453,804	33,129
Net cash inflow/(outflow) from returns on investments and servicing of finance		157,259	(216,116)
Taxation		(179,334)	-
Capital expenditure and financial investment			
Purchase of race fixture		(80,000)	-
Purchase of tangible fixed assets		(1,872,174)	(1,362,578)
Sale of tangible fixed assets		1,060	-
Purchase of fixed asset investment		(98,338)	-
Net cash outflow on capital expenditure and financial investment		(2,049,452)	(1,362,578)
Cash outflow before use of liquid resources and financing		(1,840,545)	(557,046)
Financing			
Increase in debt	22	1,345,739	413,660
Decrease in cash in the year		(494,806)	(143,386)

Reconciliation of net cash flow to movement in net debt	Note	1998 £	1997 £
Decrease in cash in the year		(494,806)	(143,386)
Cash inflow from increase in debt		(1,345,739)	(413,660)
Change in net debt resulting from cash flows		(1,840,545)	(557,046)
Net debt at 1 January		(4,954,678)	(4,397,632)
Net debt at 31 December		(6,795,223)	(4,954,678)

**NOTES TO THE ACCOUNTS**
Year ended 31 December 1998**1. ACCOUNTING POLICIES**

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The group's financial statements consolidate the results of the company and its subsidiaries for the year ended 31 December 1998

Turnover

Turnover represents income derived directly and indirectly from race meetings plus other miscellaneous income from the use of the racecourse facilities and estate revenue in the UK.

Purchased racing fixture

The purchased racing fixture is depreciated over a period of 8 years using a straight line method from the financial year following acquisition.

Goodwill

Goodwill, representing the excess of the consideration over the assessed fair value of net assets acquired is capitalised and amortised over 8 years.

Investments

Investments held as fixed assets and current assets are stated at cost.

Tangible fixed assets

Freehold and long leasehold land and buildings are shown at the directors' valuation as disclosed in the subsidiary company's accounts.

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

Freehold buildings	2%
Long leasehold land and buildings	Term of lease
Fixtures and fittings	10 or 20%
Motor vehicles	25%

Freehold land is not depreciated.

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

1. ACCOUNTING POLICIES (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents the purchase price of goods for resale.

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 to the extent that it is probable that a liability or asset will crystallise in the future.

Capital grants

Capital grants may be received from the Horserace Betting Levy Board ("HBLB") or from other third parties in respect of capital expenditure.

Capital grants received are taken to the grant account. Credits are made to the profit and loss account by equal annual instalments over the period which the relevant assets are depreciated.

2. ANALYSIS OF ACQUISITIONS AND CONTINUING OPERATIONS

	1998 Continuing	1998 Acquisitions	1998 Total	1997 Continuing and total
	£	£	£	£
Turnover	3,645,389	433,361	4,078,750	3,655,784
Cost of sales	(1,880,952)	(189,464)	(2,070,416)	(1,875,902)
Gross profit	1,764,437	243,897	2,008,334	1,779,882
Administrative expenses	(1,508,096)	(389,013)	(1,897,109)	(1,287,404)
Operating profit	<u>256,341</u>	<u>(145,116)</u>	<u>111,225</u>	<u>492,478</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

3. DIRECTORS AND EMPLOYEES

(a) Directors

One director received remuneration of £4,222 (1997 - £990) from the company during the year.

(b) Staff

	1998	1997
	No.	No.
Average number of persons employed		
Management	10	7
Administration	8	5
Other staff	19	20
	<u>37</u>	<u>32</u>
	£	£
Staff costs during the year		
Wages and salaries	856,995	653,620
Social Security costs	66,471	66,510
Other pension costs	2,995	13,514
	<u>926,461</u>	<u>733,644</u>

4. OPERATING PROFIT

	1998	1997
	£	£
Operating profit is after charging/(crediting):		
Depreciation of tangible fixed assets	296,816	266,133
Amortisation of goodwill	26,712	26,712
Amortisation of capital grants	(22,279)	(44,777)
Auditors' remuneration		
Audit services	17,300	10,300
Non audit services	4,265	4,825
Rents receivable	(205,705)	(165,158)
Hire of plant and machinery	4,925	5,167

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £	1997 £
Interest on bank overdraft and loans	283,682	228,623
Interest on loan notes	10,848	13,828
Other interest	-	4,780
	<u>294,530</u>	<u>247,231</u>

Interest on loans repayable after five years by instalments totalled £201,000 (1997 - £6,500).

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
Corporation tax 31% (1997 – 31.5%) based on the profit for the year	45,500	79,000
Prior year adjustment	7,583	-
Tax credit on franked investment income	94,550	-
	<u>147,663</u>	<u>79,000</u>

The tax charge for the year is high due to the incidence of expenditure for which no tax relief is available.

7. INTANGIBLE FIXED ASSETS

	Purchased racing fixture £	Goodwill £	Total £
Cost			
At 1 January 1998	-	213,690	213,690
Additions	80,000	-	80,000
At 31 December 1998	<u>80,000</u>	<u>213,690</u>	<u>293,690</u>
Amortisation			
At 1 January 1998	-	106,848	106,848
Charge for the year	-	26,712	26,712
At 31 December 1998	<u>-</u>	<u>133,560</u>	<u>133,560</u>
Net book value			
At 31 December 1998	<u>80,000</u>	<u>80,130</u>	<u>160,130</u>
At 31 December 1997	<u>-</u>	<u>106,842</u>	<u>106,842</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
8. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £	Long leasehold property £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 January 1998	6,833,197	5,047,216	644,435	12,250	12,537,098
Additions	250,459	1,399,734	221,981	-	1,872,174
Disposals	-	-	(11,816)	-	(11,816)
At 31 December 1998	7,083,656	6,446,950	854,600	12,250	14,397,456
Accumulated depreciation					
At 1 January 1998	235,800	231,596	436,427	10,095	913,918
Charge for the year	115,966	94,070	84,625	2,155	296,816
Disposals	-	-	(10,756)	-	(10,756)
At 31 December 1998	351,766	325,666	510,296	12,250	1,199,978
Net book value					
At 31 December 1998	6,731,890	6,121,284	344,304	-	13,197,478
At 31 December 1997	6,597,397	4,815,620	208,008	2,155	11,623,180

Details of the valuation of freehold land and buildings and leasehold land and buildings can be obtained from the financial statements of High Gosforth Park Limited and Uttoxeter Leisure and Development Company Limited. Brighton Racecourse Company Limited's leasehold land and buildings are held at cost in its accounts.

9. INVESTMENTS HELD AS FIXED ASSETS

Group	Investments in subsidiaries £	Other investments £	Total £
At cost			
At 1 January 1998	-	-	-
Additions	-	98,338	98,338
Net book value			
At 31 December 1998	-	98,338	98,338
Company			
At cost			
At 1 January 1998	3,534,671	-	3,534,671
Additions	100	98,338	98,438
Net book value			
At 31 December 1998	3,534,771	98,338	3,633,109
At 31 December 1997	3,534,671	-	3,534,671


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
9. INVESTMENT IN SUBSIDIARIES (continued)
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
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

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

Brighton Racecourse Company Limited was incorporated on 21 November 1997 and began trading on 19 January 1998. On 3 April 1998 the company entered into an agreement to lease Brighton Racecourse from Brighton and Hove Council and from that date began managing the racecourse.

10. STOCKS

	Group	
	1998	1997
	£	£
Goods held for resale	3,833	8,482

11. DEBTORS

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Amounts falling due within one year				
Trade debtors	274,278	200,962	7,309	-
Amount due from subsidiary companies	-	-	634,581	-
Other debtors	613,162	40,689	516,105	7,976
Prepayments and accrued income	279,930	206,533	-	-
	<u>1,167,370</u>	<u>448,184</u>	<u>1,157,995</u>	<u>7,976</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
12. INVESTMENTS HELD AS CURRENT ASSETS

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Unquoted investments	1,188	1,188	-	-

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Bank loan (note 15)	100,000	-	100,000	-
Bank overdraft (note 15)	763,686	265,590	836,586	796,092
Loans from Horserace Betting Levy Board (note 15)	583,250	480,960	-	-
Unsecured redeemable loan notes (note 15)	556,269	176,954	556,269	176,954
Other loans (note 15)	6,600	50,000	-	-
Trade creditors	319,967	186,485	-	-
Amounts due to subsidiary companies	-	-	10,131	38,223
Corporation tax	47,299	79,000	-	-
Other tax and social security	22,461	78,307	-	-
Other creditors	130,073	489	102,242	489
Accruals and deferred income	937,999	811,521	132,245	30,220
Proposed dividend	2,015	2,014	-	-
	<u>3,469,619</u>	<u>2,131,320</u>	<u>1,737,473</u>	<u>1,041,978</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Bank loan (note 15)	2,900,000	2,000,000	2,900,000	2,000,000
Loans from Horserace Betting Levy Board (note 15)	1,867,774	1,997,040	-	-
Other loans (note 15)	36,800	-	-	-
	<u>4,804,574</u>	<u>3,997,040</u>	<u>2,900,000</u>	<u>2,000,000</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

15. BORROWINGS

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Bank loans	3,000,000	2,000,000	3,000,000	2,000,000
Loans from Horserace Betting Levy Board	2,451,024	2,478,000	-	-
Other loans	43,400	50,000	-	-
Unsecured redeemable loan notes	556,269	176,954	556,269	176,954
Bank overdraft	763,686	265,590	836,586	796,092
	<u>6,814,379</u>	<u>4,970,544</u>	<u>4,392,855</u>	<u>2,973,046</u>
Due within one year	2,009,805	973,504	1,492,855	973,046
Due after one year	4,804,574	3,997,040	2,900,000	2,000,000
	<u>6,814,379</u>	<u>4,970,544</u>	<u>4,392,855</u>	<u>2,973,046</u>
Analysis of loan repayments				
Bank loans and overdrafts				
Within one year or on demand	863,686	265,590	936,586	796,092
Between one and two years	100,000	800,000	100,000	800,000
Between two and five years	500,000	1,200,000	500,000	1,200,000
After five years	2,300,000	-	2,300,000	-
Other loans and loan notes				
Within one year or on demand	1,146,119	707,914	556,269	176,954
Between one and two years	679,374	495,960	-	-
Between two and five years	927,800	1,386,080	-	-
After five years by instalments	297,400	115,000	-	-
	<u>6,814,379</u>	<u>4,970,544</u>	<u>4,392,855</u>	<u>2,973,046</u>

(a) Horserace Betting Levy Board

The group has outstanding interest free loans from the Horserace Betting Levy Board to finance course improvements. The balance outstanding at 31 December 1998 totalled £2,451,024 (1997 - £2,478,000). Of the total outstanding at 31 December 1998 £20,024 is unsecured (1997 - £41,000), the remainder is secured.

(b) Other loans

A subsidiary company has negotiated interest free loans from breweries to help finance the refurbishment of race course bars. The loans become repayable if certain barrelage requirements are not met or the bars do not remain open. The balances outstanding at 31 December 1998 total £43,400 (1997 - £50,000) and are unsecured.

(c) Unsecured redeemable loan notes

These are repayable on demand.



NOTES TO THE ACCOUNTS
Year ended 31 December 1998

15. BORROWINGS (continued)

(d) Bank loan and overdraft

The bank loan and overdraft is subject to an interest rate based on LIBOR. The loan is payable by annual instalments over ten years. The loan and overdraft are secured by a fixed charge over the property at High Gosforth Park Limited and second charge over the property at Uttoxeter Leisure and Development Company Limited, and inter-locking guarantees between Northern Racing Limited, High Gosforth Park Limited, Uttoxeter Leisure and Development Company Limited and Brighton Racecourse Company Limited.

16. DEFERRED INCOME

	Group £
Grant Account	
At 1 January 1998	1,850,390
Capital grants received during the year	199,346
	<hr/> 2,049,736
Capital grants credited to profit and loss account	(22,279)
	<hr/> 2,027,457
Balance at 31 December 1998	<hr/> <hr/> 2,027,457

Under a Capital Works Grant Agreement with the Horserace Betting Levy Board entered into in February 1977 by High Gosforth Park Limited, that company will be liable to refund in part grants made should the racecourse or buildings at Newcastle Racecourse be sold within thirty years of the date of the agreement. A portion of the annual modernisation grants and the Horserace Totalisator Board grant may also be repayable in the event of the High Gosforth Park Limited ceasing its racing activities. The total contingent liability under the above agreements amounted to approximately £297,127 at 31 December 1998 (1997 - £193,441).

17. CALLED UP SHARE CAPITAL

	Group and Company 1998 £	1997 £
Authorised		
780,000 'A' ordinary shares of £1 each	780,000	780,000
420,000 'B' ordinary shares of £1 each	420,000	420,000
	<hr/> 1,200,000	<hr/> 1,200,000
Allotted and fully paid		
748,214 'A' ordinary shares of £1 each	748,214	748,214
404,036 'B' ordinary shares of £1 each	404,036	404,036
	<hr/> 1,152,250	<hr/> 1,152,250

A and B shares rank equally in all respects.


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
18. RESERVES

	Group Capital Reserve £	Profit and loss account £	Company Profit and loss account £
Balance at 1 January 1998	2,962,734	(181,407)	(651,581)
Retained profit/(loss) for the year	-	86,630	(347,038)
Balance at 31 December 1998	<u>2,962,734</u>	<u>(94,777)</u>	<u>(988,619)</u>

The capital reserve represents negative goodwill in respect of the acquisition of Uttoxeter Leisure and Development Company Limited prior to 31 December 1997. This reserve will remain in place until such time that the company is disposed of, whereupon the negative goodwill will be credited to the profit and loss account.

19. EQUITY MINORITY INTEREST

	£
Balance at 1 January 1998	290,227
Profit and loss account charge	36,236
Dividend payable to minority shareholders	(2,015)
Balance at 31 December 1998	<u>324,448</u>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial year being net addition to shareholders' funds	86,630	180,014
Opening shareholders' funds	<u>3,933,577</u>	<u>3,753,563</u>
Closing shareholders' funds	<u>4,020,207</u>	<u>3,933,577</u>

21. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	1998 £	1997 £
Operating profit	111,225	492,478
Depreciation	296,816	266,133
Amortisation of capital grants	(22,279)	(44,777)
Amortisation of goodwill	26,712	26,712
Decrease in stocks	4,649	1,489
Increase in debtors	(719,186)	(75,728)
Increase in creditors	333,699	242,841
Capital grants received	<u>199,346</u>	<u>112,500</u>
Net cash inflow from operating activities	<u>230,982</u>	<u>1,021,648</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
22. ANALYSIS OF NET DEBT

	At 1 Jan 1998 £	Cash Flow £	At 31 Dec 1998 £
Cash in hand and at bank	14,678	3,290	17,968
Bank overdrafts	(265,590)	(498,096)	(763,686)
		(494,806)	
Debt due within one year	(707,914)	(538,205)	(1,246,119)
Debt due after one year	(3,997,040)	(807,534)	(4,804,574)
		(1,345,739)	
Current asset investments	1,188	-	1,188
Net debt	(4,954,678)	(1,840,545)	(6,795,223)

23. PURCHASE OF BRIGHTON RACECOURSE

Brighton Racecourse Company Limited was incorporated on 21 November 1997 and began trading on 19 January 1998. On 3 April 1998 the company entered into an agreement to lease Brighton Racecourse from Brighton & Hove Council. Therefore no assets and liabilities at nil consideration were acquired.

24. DEFERRED TAX

Unprovided deferred tax can be analysed as follows:

	Group		Company	
	1998 £	1997 £	1998 £	1997 £
Capital allowances in excess of depreciation	217,876	184,174	-	-
Other timing differences	(152,366)	(153,920)	(72,421)	(75,388)
Revaluation of properties	955,000	987,000	-	-
	1,020,510	1,017,254	(72,421)	(75,388)

25. LOSS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The loss for the financial year of the parent company was £347,038 (1997 - loss of £196,934).

**NOTES TO THE ACCOUNTS**
Year ended 31 December 1998**26. ULTIMATE PARENT COMPANY**

The ultimate parent company is Stanley Clarke Leisure Limited which is registered in England and Wales. Copies of the report and accounts of Stanley Clarke Leisure Limited are available from the registered office at Lyndon House, 58/62 Hagley Road, Edgbaston, Birmingham B16 8PE.

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

Stanley Clarke Leisure is controlled by S W Clarke, a director of Northern Racing Limited.