

Registered no: 04320977

Ascot Racecourse Limited
Annual report
for the year ended 31 December 2003



Ascot Racecourse Limited

Annual report for the year ended 31 December 2003

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Directors' report for the year ended 31 December 2003

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

Principal activities

Ascot Racecourse Limited is the principal operating company of the group owning all non-property assets necessary to run the racing at Ascot and all intellectual property assets and associated contracts relating to the practice, protection, development and exploitation of the brand. It uses these assets to run all racecourse operations at Ascot.

Review of business and future developments

The directors consider that trading during the period was satisfactory, in particular the extension of the Royal Meeting to a fifth day for the second year running was successful.

The directors anticipate a reasonable trading year during 2004. Racing will continue until the end of September, despite extensive redevelopment work on the preparations for the new track. Subject to satisfactory funding arrangements, the racecourse will close in October 2004 to facilitate the demolition and rebuilding of the Grandstand. Fixtures for the period from October to December 2004 will be transferred to other racecourses.

The comparative figures are from 12 November 2001 to 31 December 2002.

Results and dividends

The profit for the financial year is £8,417,000 (Period ended 31 December 2002 : £8,954,000)

The directors do not recommend the payment of a dividend for the year ended 31 December 2003 (Period ended 31 December 2002: 25p per £1 ordinary share, amounting to £25,000)

The retained profit for the year will be transferred to reserves.

Directors and their interests

The directors of the Company who held office during the year were as follows:

A N Cheyne	
D V Erskine-Crum	
R J Wilkie	
J G Woodrow	(resigned 31 July 2003)
J S Walker	(appointed 29 July 2003)

None of the directors had any interest in the share capital of the company at any time during the financial year.

Post balance sheet event

Please refer to Note 19.

Charitable Donations

During the financial year the company donated the sum of £34,386 (2002: £29,851) to United Kingdom charitable organisations. No payments were made for political purposes.

Directors' report for the year ended 31 December 2003 (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

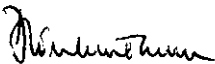
The directors confirm that suitable accounting policies have been used and applied consistently, that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office as auditors and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



Douglas Erskine-Crum

Director

22 March 2004

Independent auditors' report to the members of Ascot Racecourse Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and 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 issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 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 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading
22 March 2004

Profit and loss account for the year ended 31 December 2003

	Note	Year ended 31 December 2003 £'000	Period ended 31 December 2002 £'000
Turnover	2	33,713	32,968
Cost of sales		(17,241)	(15,737)
Gross profit		16,472	17,231
Administrative expenses		(5,333)	(5,519)
Other operating income		74	61
Operating profit	3	11,213	11,773
Interest receivable		571	365
Profit on ordinary activities before taxation		11,784	12,138
Tax charge on profit on ordinary activities	6	(3,367)	(3,184)
Profit for the financial year/period		8,417	8,954
Dividends	7	-	(25)
Retained profit for the financial year/period	15	8,417	8,929

The company's results for the year are derived entirely from continuing operations.

The company has no recognised gains and losses other than the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There are no material differences between the profit on ordinary activities before taxation and the profit for the year stated above, and their historical cost equivalents.

Balance sheet as at 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible fixed assets	8	14,733	19,350
Current assets			
Stocks	9	380	393
Debtors	10	33,024	21,667
Cash at bank and in hand		1,759	424
		35,163	22,484
Creditors - Amounts falling due within one year	11	(22,757)	(17,385)
Net current assets		12,406	5,099
Total assets less current liabilities		27,139	24,449
Provisions for liabilities and charges	12	(794)	(831)
Deferred capital grants	13	(7,559)	(13,249)
Net assets		18,786	10,369
Capital and reserves			
Called-up share capital	14	100	100
Share premium account	15	1,340	1,340
Profit and loss account	15	17,346	8,929
Equity shareholders' funds	16	18,786	10,369

The financial statements on pages 4 to 20 were approved by the board of directors on 22 March 2004 and were signed on its behalf by:



Douglas Erskine-Crum
Director

Notes to the financial statements for the year ended 31 December 2003

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

Comparatives

The comparative figures are for the profit and loss account from 12 November 2001 (date of incorporation) to 31 December 2002. The company commenced trading on 1 January 2002.

Turnover

Turnover, which excludes value added tax, represents income received and receivable in respect of the principal activities of operating and managing the racecourse and its facilities.

Ascot Racecourse Limited is a party to a media rights agreement with attheraces plc. Income from the Media Rights Agreement is spread over the five year term of the agreement and included within turnover. Differences between cash received and income recognised are included within deferred income.

Costs directly attributable to the Media Rights Agreement are spread over the term to which they relate and are included within cost of sales.

Entrance money is recognised on the day of the event to which it relates. Annual membership and box rental income is spread over the term to which it relates. Differences between cash received and income recognised are included within deferred income.

Tangible fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Machinery and equipment	3 - 20
Fixtures, fittings and office equipment	10
Motor vehicles	20

Land and buildings and leasehold improvements are amortised over the shorter of the period of the Ascot Authority lease, which expires in 2045, or to the anticipated commencement date of redevelopment, as appropriate.

Freehold land is not depreciated.

Expenditure directly relating to the proposed redevelopment of the racecourse has been capitalised under the heading redevelopment costs within tangible fixed assets. Such expenditure is not currently being depreciated, in accordance with the criteria defined by Financial Reporting Standard 15, "Tangible Fixed Assets". Depreciation will commence upon completion of the redevelopment.

Notes to the financial statements for the year ended 31 December 2003 (continued)

1 Accounting policies (continued)

Horserace Betting Levy Board and other Grants

Horserace Betting Levy Board or other grants received or receivable on qualifying assets under the Board's Capital Improvement Grant Scheme are credited to Deferred Grant Income and released to the profit and loss account to be matched against depreciation over the expected useful economic lives of the assets to which they relate.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding.

Incentives to enter leases, including discounted rents, are spread over the period to the first break clause or rent review.

Stocks and bloodstock

Stocks and bloodstock are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits against which to recover carried forward tax losses and from which future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Pension costs

The expected costs of pensions in respect of the company's defined benefit schemes is charged so as to spread the cost of pensions over the average expected service lives of employees in the scheme. Variations from the regular cost arising from periodic actuarial valuations are spread over the expected remaining service lives of current employees in the schemes. The pension cost is assessed in accordance with the advice of independent qualified actuaries.

The company makes contributions to defined contribution personal pension schemes. The assets of these schemes are held separately from those of the company in independently administered funds.

The pension cost charge represents contributions payable by the company to the schemes during the period.

Financial Reporting Standard 8

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, "Related Party Disclosures", which requires the disclosure of the details of material transactions between the

Notes to the financial statements for the year ended 31 December 2003 (continued)

1 Accounting policies (continued)

Financial Reporting Standard 8 (continued)

reporting entity and any related parties, on the grounds that it is a wholly owned subsidiary of a group headed by Ascot Authority (Holdings) Limited.

Cashflow statement

The company is a wholly owned subsidiary of Ascot Authority (Holdings) Limited and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard 1(revised 1996).

2 Turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation are attributable to the principal activities of the company and are derived wholly within the United Kingdom.

3 Operating profit

	Year ended 31 December 2003 £'000	Period ended 31 December 2002 £'000
Operating profit is stated after charging/(crediting):		
Wages and salaries	2,133	1,845
Social security costs	253	166
Pension costs (see note 18)	700	451
Staff costs	3,086	2,462
Depreciation of tangible assets		
– gross charge on owned assets (see note 8)	3,292	2,899
– credit to depreciation of HBLB and other grants (see note 13)	(2,848)	(2,470)
Loss on disposal of tangible fixed assets	7	1
Auditors' remuneration		
– Audit services	28	28
– Non Audit services	173	445
Operating lease charges – Other assets	80	102

The employment costs disclosed above take into account amounts recharged by Ascot Racecourse Limited to Ascot Authority (Holdings) Limited, Ascot Racecourse Estates Limited and Ascot Racecourse Estates (Property Developments) Limited to reflect the services provided by the executive directors to these companies. A management charge is also made to reflect the service of other staff to other group companies. This has not been taken into account in the disclosure above.

Fees in respect of non audit services relate to remuneration paid to PricewaterhouseCoopers LLP for advice concerning the group's statutory accounts, tax compliance, advisory work and redevelopment financing arrangements.

Notes to the financial statements for the year ended 31 December 2003 (continued)

4 Directors' emoluments

	Year ended 31 December 2003 £'000	Period ended 31 December 2002 £'000
Aggregate emoluments	438	336
Company pension contributions to money purchase schemes	34	146
	472	482

The emoluments disclosed above represent amounts paid to the directors of the company less amounts recharged to other companies in the Group to reflect the services of the directors of Ascot Racecourse Limited to those companies.

The total retirement benefits due to all directors of Ascot Racecourse Limited who are members of the money purchase scheme have been disclosed above.

Retirement benefits are accruing to two (2002: two) directors under a defined benefit scheme and three (2002: two) directors under a money purchase scheme.

Highest paid director

	Year ended 31 December 2003 £'000	Period ended 31 December 2002 £'000
Aggregate emoluments	145	171
Accrued pension at the year end	33	23

5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

By activity	Year ended 31 December 2003 Number	Period ended 31 December 2002 Number
Administration	61	49
Course and grounds	22	28
	83	77

Notes to the financial statements for the year ended 31 December 2003 (continued)

6 Tax on profit on ordinary activities

	Year ended 31 December 2003 £'000	Period ended 31 December 2002 £'000
Current tax:		
UK corporation tax on profits of the year/period	3,515	3,700
Adjustment in respect of previous periods	38	-
Over provision in relation to tax liability on acquisition of trade	-	(477)
Total current tax	3,553	3,223
Deferred tax:		
Origination and reversal of timing differences (ACA and other)	(92)	(39)
Adjustment in respect of previous periods	(94)	-
Total deferred tax credit (note 12)	(186)	(39)
Tax on profit on ordinary activities	3,367	3,184

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%) (2002:30%). The differences are explained below:

	Year ended 31 December 2003 £'000	Period ended 31 December 2002 £'000
Profit on ordinary activities before tax	11,784	12,138
Profit on ordinary activities multiplied by the standard rate of tax in the UK 30% (2002: 30%)	3,535	3,641
Effects of:		
Expenses not deductible for tax purposes	(39)	31
Accelerated capital allowances and other timing differences	92	88
Short term timing differences	-	(49)
Over provision in respect of prior years included in liabilities acquired	-	(477)
Adjustment in respect of previous periods	37	-
Group relief claimed not paid	(72)	(11)
Current tax charge for the year/period	3,553	3,223

Factors that may affect future tax charges:

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years at levels exceeding the current year.

Notes to the financial statements for the year ended 31 December 2003 (continued)

7 Dividends

	2003 £'000	2002 £'000
Equity – Ordinary		
Interim paid 2003 : Nil (2002: 25p) per £1 share	-	25

8 Tangible fixed assets

	Redevelopment costs £'000	Leasehold improve- ments £'000	Machinery and equipment £'000	Fixtures & office equipment £'000	Motor vehicles £'000	Total £'000
Cost						
1 January 2003	4,899	14,276	682	2,324	64	22,245
Additions	1,590	170	76	40	50	1,926
Transfers	445	(445)	-	-	-	-
Intercompany transfers	(3,225)	-	-	-	-	(3,225)
Disposals	-	(7)	(9)	(38)	(13)	(67)
At 31 December 2003	3,709	13,994	749	2,326	101	20,879
Accumulated depreciation						
At 1 January 2003	-	2,231	137	503	24	2,895
Charge for the year	-	2,366	174	726	26	3,292
Disposals	-	-	(4)	(27)	(10)	(41)
At 31 December 2003	-	4,597	307	1,202	40	6,146
Net book amount						
At 31 December 2003	3,709	9,397	442	1,124	61	14,733
Net book amount						
At 31 December 2002	4,899	12,045	545	1,821	40	19,350

At the date of the group restructure on 1 January 2002, assets in the course of construction relating to the potential redevelopment and their related HBLB grants were transferred to Ascot Racecourse Limited. Management have reviewed these assets and are of the opinion that certain assets are more appropriately recognised in Ascot Racecourse Estates (Property Developments) Limited who will be undertaking the redevelopment. Therefore, during 2003 £3,225,000 of assets have been transferred to Ascot Racecourse Estates (Property Developments) Limited, together with associated HBLB grants (see Note 13).

Notes to the financial statements for the year ended 31 December 2003 (continued)

9 Stocks

	2003	2002
	£'000	£'000
Bloodstock	340	316
Finished goods and goods held for resale	40	77
	380	393

10 Debtors

	2003	2002
	£'000	£'000
Trade debtors	3,190	3,360
Amounts owed by group undertakings	29,153	17,289
Other debtors	39	67
Prepayments and accrued income	642	951
	33,024	21,667

Amounts owed by group undertakings are unsecured, interest free and payable on demand.

11 Creditors – Amounts falling due within one year

	2003	2002
	£'000	£'000
Trade creditors	823	790
Corporation tax	1,847	1,925
Other taxation and social security	276	395
Amounts due to group undertakings	7,218	425
Other creditors	86	253
Accruals and deferred income	12,507	13,597
	22,757	17,385

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

12 Provisions for liabilities and charges

	Deferred taxation £'000	Long term incentive schemes £'000	Total £'000
At 1 January 2003	531	300	831
(Credited)/charged to the profit and loss account	(186)	149	(37)
At 31 December 2003	345	449	794

Notes to the financial statements for the year ended 31 December 2003 (continued)

12 Provisions for liabilities and charges (continued)

Long term incentive schemes

Amounts provided in relation to long term incentive schemes represent sums that are allocated to each of the executive directors if agreed annual personal performance objectives have been confirmed as satisfied by the remuneration committee.

Provisions are made each year in accordance with the agreed allocations as determined by the remuneration committee. Payments under the schemes are made at defined future dates if the directors are still in post.

The total amount provided in respect of these schemes at 31 December 2003 was £449,000 (2002: £300,000).

The amount provided in respect of the highest paid director was £396,000 (2002: £300,000). In accordance with the terms of the director's contract 60% of this accrued amount, £238,000, was paid in January 2004.

Deferred tax

Deferred taxation provided in the financial statements, and the amount unprovided/(unrecognised) of the total potential liability/(asset) are as follows:

	Amount provided/(recognised)		Amount unprovided/(unrecognised)	
	2003 £	2002 £	2003 £	2002 £
Excess of capital allowances over depreciation	580	591	-	-
Other timing differences	(147)	(60)	-	-
Losses	(88)	-	-	-
	345	531	-	-

Notes to the financial statements for the year ended 31 December 2003 (continued)

13 Deferred capital grants

The movements on capital grants received from the Horserace Betting Levy Board and other sources are as follows:

	Total grants received £'000	Accumulated credit to profit and loss account £'000	Net grants £'000
At 1 January 2003	22,380	(9,131)	13,249
Received during the year	132	-	132
Transferred to Ascot Racecourse Estates (Property Developments) Ltd	(2,974)	-	(2,974)
Credited to the profit and loss account	-	(2,848)	(2,848)
Balance at 31 December 2003	19,538	(11,979)	7,559

Grants are made by the HBLB out of available funds earned by the racecourses and collected by the HBLB, by virtue of the fixtures that take place at each particular venue. At any point in time, Ascot racecourse has a contingent asset, amounting to total income held on their behalf by the HBLB. Ascot Racecourse is absolutely entitled to claim amounts, by way of grant equal to that spent on qualifying expenditure. At the year end Ascot Racecourse Limited had £2,036,000 of grant entitlements that had not been claimed.

14 Called-up share capital

	2003 £'000	2002 £'000
Authorised		
100,000 ordinary shares of £1 each	100	100
Allotted, called-up and fully paid		
100,000 ordinary shares of £1 each	100	100

15 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2003	1,340	8,929
Retained profit for the financial year	-	8,417
At 31 December 2003	1,340	17,346

Notes to the financial statements for the year ended 31 December 2003 (continued)

16 Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Profit for the financial year	8,417	8,954
Dividends	-	(25)
	8,417	8,929
Net proceeds from issue of ordinary share capital	-	1,440
Net addition to shareholders' funds	8,417	10,369
Opening shareholders' funds	10,369	-
Closing shareholders' funds	18,786	10,369

17 Financial commitments

Ascot Racecourse Limited has given an indemnity to Ascot Racecourse Estates (Property Developments) Limited for costs up to £24m (2002: £20m) incurred by Ascot Racecourse Estates (Property Developments) Limited in relation to the redevelopment programme being undertaken up to such a time that planning permission has been obtained for the redevelopment. At 31 December 2003 the potential amount repayable to Ascot Racecourse (Property Developments) Limited was £5,093,000 (2002: £1,865,000) from Ascot Racecourse Limited in respect of work in progress and £2,597,000 (2002: £1,391,000) in respect of termination payments to suppliers already contracted.

At 31 December 2003 the company had annual commitments under non-cancellable operating leases of assets, other than land and building, expiring as follows:

	2003 £'000	2002 £'000
Within one year	2	14
Within two to five years	99	72
	101	86

18 Pension commitments

Defined contribution scheme

The company operates a defined contribution scheme for employees and directors. The scheme assets are held in a separately administered fund. Contributions paid in to the scheme during the year amounted to £167,000 (2002: £281,000).

Notes to the financial statements for the year ended 31 December 2003 (continued)

18 Pension commitments (continued)

Defined benefit scheme

The company operates an Executive Pension Plan for two of the directors. It is of a defined benefit type which has its assets held in a separate trustee administered, professionally managed, fund. During the year the company has made contributions of £407,000 in respect of this scheme so as to spread the cost of pensions over the average remaining working lifetimes of the members. These contributions included a catch-up payment of £282,000 so as to eradicate the previous deficit on the scheme. The charge for the period was £332,000 (2002 : nil).

The company also operates the Ascot Authority 1974 scheme. It is of a defined benefit type which has its assets held in a separate trustee administered, professionally managed, fund. The Ascot Authority 1974 scheme is closed to new members. New joiners are offered membership of the defined contribution scheme. The pension costs, assessed in accordance with the advice of an actuary on the basis of triennial valuations, are charged to the profit and loss account in accordance with SSAP24 "Accounting for Pension Costs" so as to spread the cost of pensions, including the deficit, as set out below, over the average remaining working lifetimes of the members.

The last valuation prepared in accordance with SSAP24 was carried out as at 31 March 2003. The main assumptions used were:

Investment return	
Before retirement	5.4%
After retirement	4.0%
Price inflation	2.5%
Pension increases	
Pensions accrued before 6 April 1997	3.0%
Pensions accrued after 5 April 1997	2.5%

The company continues to account for pension costs in accordance with SSAP24. The market value of the assets as at 1 April 2003 was £1,503,000 and the actuarial value of these assets represented some 39% of the liabilities. The charge for the period was £201,000 (2002: £170,000).

In order to eradicate the deficit on the scheme the company has agreed to fund contributions at a rate of £200,000 per annum for the next 20 years, plus additional contributions as determined by the scheme actuary relating to early retirement of members.

Financial Reporting Standard 17

The following information is provided to comply with the transitional arrangements of Financial Reporting Standard 17, "Retirement benefits".

An actuarial valuation of the liabilities to take account of the requirements of FRS17 was carried out as at 31 December 2003 by Punter Southall and Co, professionally qualified actuaries. Scheme assets are stated at their market value as at 31 December 2003. The financial assumptions used to calculate scheme liabilities under FRS17 are:

	2003	2002
	%	%
Rate of increase in salaries	4.5	4.0
Rate of increase in pensions in payment	3.0	3.0
Discount rate	5.4	5.5
Inflation assumption	2.7	3.25

Notes to the financial statements for the year ended 31 December 2003 (continued)

18 Pension commitments (continued)

The assets in the scheme and the expected rates of return were:

	Long-term rate of return expected 31 December 2003 %	Value at 31 December 2003 £'000	Long-term rate of return expected 31 December 2002 %	Value at 31 December 2002 £'000
Equities	-	-	7.5	1,145
Bonds	5.4	2,160	3.5	199
Cash	-	-	4.0	57
Total market value of assets		2,160		1,401
Present value of scheme liabilities		(3,452)		(3,256)
Deficit in scheme		(1,292)		(1,855)
Related deferred tax asset		388		556
Net pension liability		(904)		(1,299)

The ratio of the Ascot Authority 1974 schemes assets to liabilities was therefore 63% (2002: 43%).

Notes to the financial statements for the year ended 31 December 2003 (continued)

18 Pension commitments (continued)

For illustrative purposes, the effect of recognising the whole of the estimated pension deficit in the company's balance sheet at 31 December 2003 would be:

	2003 £'000	2002 £'000
Net assets		
Net assets excluding pension liability	18,786	11,667
Deficit in the scheme	(1,292)	(1,855)
Related deferred tax asset	388	556
Net assets including pension liability	17,882	10,368
Reserves		
Profit and loss reserve excluding pension liability	17,346	8,929
Deficit in the scheme	(1,292)	(1,855)
Related deferred tax asset	388	556
Profit and loss reserve including pension liability	16,442	7,630

Analysis of the amount that would be charged to operating profit under FRS17

	2003 £'000	2002 £'000
Current service cost	71	20
Total operating charge	71	20

The current service cost will increase as the members of the Scheme approach retirement.

Analysis of the amount that would be credited to other finance income under FRS17

	2003 £'000	2002 £'000
Expected return on pension scheme assets	111	130
Interest on pension scheme liabilities	(176)	(173)
Net interest charge	(65)	(43)

Notes to the financial statements for the year ended 31 December 2003 (continued)

18 Pension commitments (continued)

Analysis of the amount that would be recognised in statement of total recognised gains and losses under FRS17

	2003 £'000	2002 £'000
Actual return less expected return on pension scheme assets	147	(483)
Experience gains and losses arising on the schemes liabilities	52	(53)
Changes in assumptions underlying the present value of the scheme liabilities	(88)	(130)
Actuarial gain/ (losses)	111	(666)

Movement in deficit during the year under FRS17

	2003 £'000	2002 £'000
Deficit in scheme at beginning of the year	(1,855)	(1,304)
Movement in year:		
Current service cost	(71)	(20)
Contributions	588	178
Other finance loss	(65)	(43)
Actuarial gain/(losses)	111	(666)
Deficit in scheme at end of year	(1,292)	(1,855)

Notes to the financial statements for the year ended 31 December 2003 (continued)

18 Pension commitments (continued)

History of experienced gains and losses

	2003	2002
Difference between the actual and expected return on scheme assets:		
Amount (£'000)	147	(483)
Percentage of scheme assets	7%	(34%)
Experience gains and losses on scheme liabilities:		
Amount (£'000)	53	(53)
Percentage of the present value of the schemes liabilities	2%	(2%)
Total amount which would be recognised in statement of total recognised gains and losses		
Amount (£'000)	111	(666)
Percentage of the present value of the scheme liabilities	3%	(20%)

19 Post Balance Sheet Event

On 29 January 2004 attheraces plc (ATR) served 60 days' notice to the Racecourse Association (RCA) that their Media Rights Agreement (MRA) would be terminated on 29 March 2004. The reason given was a failure to agree with the Racecourse Association (on behalf of the contracted racecourses, including Ascot) a remedy for the perceived reduction in income to ATR arising from a reduction in the Tote takeout rate (the margin on bets placed with the Tote, for which ATR receives a percentage commission).

The RCA (on behalf of the contracted racecourses), including Ascot, dispute the legitimacy of this termination. If the termination proves legitimate, rebates to ATR would be payable over a number of years by the racecourses from future media rights income as determined in the MRA. The maximum potential exposure for Ascot racecourse would be less than £5 million. At the year end an amount of £3,776,000 was included in deferred income in respect of the media rights agreement. In light of the current dispute and negotiation and the uncertainty over the future revenue streams out of which any recovery would be made, the directors are of the opinion that any exposure is unlikely to have any material ongoing consequences.

20 Ultimate controlling party

The immediate parent undertaking is Ascot Authority (Holdings) Limited which is also the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of Ascot Authority (Holdings) Limited are available from The Company Secretary, 16 Old Bailey, London, EC4M 7EG.

Marquess of Hartington, M E T Davies and J R Weatherby are non beneficial Trustees of the Ascot Authority a body which owns the entire share capital of Ascot Authority (Holdings) Limited. The Ascot Authority is therefore the immediate and ultimate parent undertaking of the group and the above Trustees are the ultimate controlling party.

The Ascot Authority does not prepare consolidated financial statements and its financial statements are not publicly available.