

High Gosforth Park Limited

**Directors' report and financial
statements**

Registered number 14667

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.

Principal activities

The principal activities of the company during the year were the operation of a racecourse, under Jockey Club and National Hunt Rules at Newcastle Racecourse, and management of an owned estate including the Parklands Golf Course.

Business review

The company made a profit after taxation for the year of £1,434,663 (2003: £1,327,785). The directors are satisfied with the result for the year and are optimistic of future success.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend (2003: £Nil). The retained profit of £1,434,663 (2003: £1,327,785) has been transferred to reserves.

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)
Viscount Allendale	
Sir D Chapman	(Resigned 31 December 2004)
JHS Marris	
AWG Wylie	(Appointed 23 March 2004, Resigned 31 December 2004)
MB Stokes	(Resigned 3 September 2004)

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

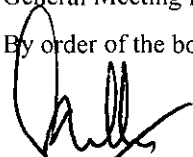
At the year end JHS Marris held 1,500 shares in the holding company Northern Racing PLC.

Simon W Clarke, RG Street and AB Kelly were directors of the holding company, Northern Racing PLC, during the year and their interest in the shares of other companies in the group are disclosed in the accounts of that company. The other directors who held office at the year end, had no interest in group companies.

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

27 April 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 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 High Gosforth Park Limited

We have audited the financial statements on pages 4 to 15.

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

Chartered Accountants
Registered Auditor

9 May 2005

Profit and loss account
for the year ended 31 December 2004

	<i>Note</i>	2004 £	2003 £
Turnover	<i>1</i>	6,146,390	5,797,438
Cost of sales		(3,665,369)	(3,120,575)
Gross profit		2,481,021	2,676,863
Administrative expenses		(994,347)	(1,138,597)
Operating profit	<i>2</i>	1,486,674	1,538,266
Income from unlisted investments		362	362
Interest payable – group interest		-	(11,572)
Income from other fixed asset investment		-	77,569
Interest receivable		187	-
Profit on sale of tangible fixed assets		357,000	-
Profit on ordinary activities before taxation		1,844,223	1,604,625
Tax on profit on ordinary activities	<i>4</i>	(409,560)	(276,840)
Profit on ordinary activities after taxation being retained profit for the financial year	<i>14</i>	1,434,663	1,327,785

All activities derive from continuing operations.

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

Note of historical cost profits and losses
for the year ended 31 December 2004

	2004 £	2003 £
Reported profit on ordinary activities before taxation	1,844,223	1,604,625
Excess of depreciation on revalued amount over cost	9,493	9,493
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	1,853,716	1,614,118
	<hr/>	<hr/>
Historical cost profit for the year retained after taxation and dividends	1,444,156	1,337,278
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Reconciliation of movements in shareholders' funds
for the year ended 31 December 2004

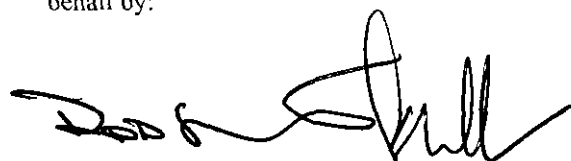
	2004 £	2003 £
Profit for the financial year	1,434,663	1,327,785
Opening shareholders' funds	8,083,567	6,755,782
	<hr/>	<hr/>
Closing shareholders' funds	9,518,230	8,083,567
	<hr/>	<hr/>


Balance sheet
at 31 December 2004

	Note	2004	2003
			Restated as below
		£	£
Fixed assets			
Intangible assets	5	204,128	216,584
Tangible assets	6	9,369,026	8,179,394
		<u>9,573,154</u>	<u>8,395,978</u>
Current assets			
Stocks	7	7,077	7,120
Debtors	8	1,351,428	1,212,330
Investments: Unquoted, at cost		1,188	1,188
Cash at bank and in hand		2,794,543	1,250,115
		<u>4,154,236</u>	<u>2,470,753</u>
Creditors: amounts falling due within one year	9	<u>(3,118,642)</u>	<u>(2,301,851)</u>
Net current assets		<u>1,035,594</u>	<u>168,902</u>
Total assets less current liabilities		<u>10,608,748</u>	<u>8,564,880</u>
Creditors: amounts falling due after more than on year	10	<u>(900,217)</u>	<u>(292,500)</u>
Provisions for liabilities and charges	12	<u>(190,301)</u>	<u>(188,813)</u>
		<u>9,518,230</u>	<u>8,083,567</u>
Capital and reserves			
Called up share capital	13	90,960	90,960
Revaluation reserve	14	2,436,561	2,446,054
Profit and loss account	14	6,990,709	5,546,553
Equity shareholders' funds		<u>9,518,230</u>	<u>8,083,567</u>

The comparative figures have been restated to include deferred income within current liabilities. Previously it was disclosed separately on the balance sheet.

These financial statements were approved by the board of directors on 27 April 2005 and were signed on its behalf by:


RG Street
Director


AB Kelly
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:

Accounting convention

The financial statements are prepared under historical cost accounting convention modified to include the revaluation of freehold land and buildings.

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.

Income is recognised at the time of the event, unless it is more appropriate to take it over the period of the agreement, such as rental and deferred income. Income receivable from the sale of media rights to Attheraces is taken to income when quantifiable.

Media income

Media income and related costs from the "Attheraces" deal are recognised as turnover and administrative expenses respectively in the profit and loss account on a straight line basis over the ten year period of the contract.

Intangible assets

Purchased racing fixtures and purchased goodwill are shown at cost. Amortisation of intangible assets is calculated to write-off the cost of the assets in equal annual instalments over their estimated lives from the financial year following their acquisition as follows:

Racing fixtures	5%
Purchased goodwill	4%

Tangible fixed assets

Freehold land and buildings are shown at directors' valuation.

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%
Plant and machinery	10% or 20%
Motor vehicles	25%

Freehold property is carried at modified historical cost, not amended since the valuation in 1995 as permitted by the transitional rules of FRS15 "Tangible Fixed Assets".

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Notes (continued)

1 Accounting policies (continued)

Leases

Rental charges on operating leases are taken to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

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

Capital credits

The Horserace Betting Levy Board provides revenue grants to racecourses to support the holding of a race meeting.

A racecourse can elect in advance to convert the revenue to capital credits which can be drawn down to meet approved project expenditure or to meet repayment of HBLB loans. Revenue grants are taken to profit and loss account as turnover to match related costs of holding the race meeting. Capital credits are recognised as income when the related race meeting is held and when recoverable against the repayment of HBLB loan or expenditure on approved capital projects.

2 Operating profit

	2004	2003
	£	£
Operating profit is after charging/(crediting)		
Depreciation - owned	295,866	242,521
- leased	1,023	-
Amortisation of intangible fixed assets	12,456	12,456
Auditors' remuneration		
Audit services	11,000	7,000
Other Services	-	-
Rentals under other operating leases	-	21,881
Rents received	(82,657)	(80,727)

Notes *(continued)*

3 Information regarding directors and employees

(a) Directors

	2004 £	2003 £
Directors' emoluments		
Fees	17,000	12,000

(b) Staff

	2004 £	2003 £
Staff costs including directors' emoluments		
Wages and salaries	778,285	693,571
Social security costs	71,335	54,738
Other pension costs	9,266	8,151
	858,886	756,460

	2004 No.	2003 No.
Average number of persons employed		
Management and administration	16	10
Other staff	26	26
	42	36

Pension costs

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £9,266 (2003: £8,151). Contributions totalling £Nil (2003: £Nil) were payable to the fund at the year end and are included in creditors. None of the directors qualified for benefits.

Notes (continued)

4 Taxation

	2004 £	2003 £
Corporation tax		
United Kingdom corporation tax at 30% (2003: 30%) based on profit for the year	385,311	267,041
Adjustment in respect of prior years	22,761	3,242
Total current tax charge	408,072	270,283
Deferred taxation		
Timing differences, origination and reversal	6,285	6,557
Adjustment in respect of prior years	(4,797)	-
	409,560	276,840

The tax assessed for the period is lower (2003: lower) than that resulting from applying the standard rate of corporation tax in the UK 30%, (2003: 30%). The differences are explained below:

	2004 £	2003 £
Reconciliation of current tax charge		
Profit on ordinary activities before tax	1,844,223	1,604,625
Tax at 30% thereon	553,267	481,388
Expenses not deductible for tax purposes	54,000	37,870
Capital allowances in excess of depreciation	(6,285)	(7,452)
UK dividend income	(108)	(24,160)
Capital credits	(210,175)	(220,605)
Prior period adjustments	17,373	3,242
Total current tax charge	408,072	270,283

Factors affecting the tax charge for the current period

Deferred tax has not been provided on revaluations of fixed assets. This tax will only become payable if the assets are sold and rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £500,000.

Notes (continued)

5 Intangible fixed assets

	Purchased racing fixtures £	Purchased goodwill £	Total £
Cost			
At 1 January 2004 and 31 December 2004	200,000	61,500	261,500
Accumulated depreciation			
At 1 January 2004	39,996	4,920	44,916
Charge for year	9,996	2,460	12,456
At 31 December 2004	49,992	7,380	57,372
Net book value			
At 31 December 2004	150,008	54,120	204,128
At 31 December 2003	160,004	56,580	216,584

6 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2004	8,939,879	709,484	32,845	9,682,208
Additions	1,479,235	66,564	-	1,545,799
Disposals	(59,273)	-	-	(59,273)
At 31 December 2004	10,359,841	776,048	32,845	11,168,734
At valuation	3,453,202	-	-	3,453,202
At cost	6,906,639	776,048	32,845	7,715,532
At 31 December 2004	10,359,841	776,048	32,845	11,168,734
Accumulated depreciation				
At 1 January 2004	1,050,957	424,031	27,826	1,502,814
Charge for year	202,811	91,573	2,510	296,894
At 31 December 2004	1,253,768	515,604	30,336	1,799,708
Net book value				
At 31 December 2004	9,106,073	260,444	2,509	9,369,026
At 31 December 2003	7,888,922	285,453	5,019	8,179,394

Notes (continued)

6 Tangible fixed assets (continued)

The freehold land and buildings included above at valuation could alternatively be stated at a cost of £8,122,511 (2003: £6,702,546) with accumulated depreciation of £1,453,368 (2003: £1,260,050). The property was valued on 31 December 1995 at open market value on the basis of existing use by the directors.

The value of land not depreciated is £1,453,202 (2003: £1,453,202).

Included in plant and machinery are assets held under hire purchase agreements with a net book value of £19,440 (2003: £Nil) and accumulated depreciation of £1,023 (2003: £Nil) at 31 December 2004. The hire purchase liability is in the accounts of Northern Races Ltd, the parent company. At 31 December 2004 the liability due on the assets held in High Gosforth Park Limited was £13,642 (2003: £Nil).

7 Stocks

	2004 £	2003 £
Goods held for resale	7,077	7,120

8 Debtors

	2004 £	2003 £
<i>Amounts falling due within one year</i>		
Trade debtors	498,127	373,213
Amounts owed by other group undertakings	379,309	496,189
Other debtors	370,256	265,519
Prepayments	103,736	77,409
	<u>1,351,428</u>	<u>1,212,330</u>

9 Creditors: amounts falling due within one year

	2004 £	2003 £
Loans from Horserace Betting Levy Board (note 11)	768,703	257,500
Trade creditors	243,184	190,860
Amounts owed to group undertakings	854,915	627,367
Corporation tax	124,860	267,041
Group relief payable	510,405	-
Other taxation and social security	38,592	64,599
Other creditors	33,035	34,974
Accruals	113,768	197,373
Deferred income	431,180	662,137
	<u>3,118,642</u>	<u>2,301,851</u>

Notes (continued)

10 Creditors: amounts falling due after more than one year

	2004 £	2003 £
Loans from Horserace Betting Levy Board (note 11)	900,217	292,500

11 Loans from Horserace Betting Levy Board

	2004 £	2003 £
The loans are repayable as follows:		
In one year or less or on demand	768,703	257,500
In more than one year but not more than two years	620,217	257,500
In more than two years but not more than five years	280,000	35,000
	<u>1,668,920</u>	<u>550,000</u>

The company has three outstanding interest free loans from the Horserace Betting Levy Board to finance course improvements. The balance outstanding at 31 December 2004 was £1,668,920 (2003: £550,000). This is secured by charges over the assets of the company.

12 Provisions for liabilities and charges

	£
Deferred taxation	
Balance at 1 January 2004	188,813
Charge for the year	1,488
Balance at 31 December 2004	<u>190,301</u>

The amounts provided in the accounts are as follows:

	2004 £	2003 £
Capital allowances in excess of depreciation	190,301	188,813
Short term timing differences	-	-
	<u>190,301</u>	<u>188,813</u>

Notes (continued)

13 Called up share capital

	2004 £	2003 £
<i>Authorised</i>		
120,000 ordinary shares of £1 each	120,000	120,000
<i>Called up, allotted and fully paid</i>		
90,960 ordinary shares of £1 each	90,960	90,960

14 Reserves

	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2004	2,446,054	5,546,553
Profit for the year	-	1,434,663
Transfer of amount equivalent to additional depreciation on revalued assets	(9,493)	9,493
Balance at 31 December 2004	2,436,561	6,990,709

15 Operating lease commitments

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

	2004 £	2003 £
Leases which expire:		
Within one year	11,403	20,762
Between two and five year	5,310	16,713
	16,713	37,475

Notes (continued)

16 Capital commitments

At 31 December 2004 the company had no capital commitments at the year end (2003: £Nil) which were contracted for but not provided in the financial statements.

17 Contingent liability

- (a) 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 £12,466,384 (2003: £9,558,189) and the Group overdraft was £3,085,622 (2003: £3,424,305).
- (b) Under agreements between the Horserace Betting Levy Board and Newcastle racecourses, capital grants received may be liable to be refunded in part if the racecourses cease to hold regular meetings, or cease to carry on business as a racecourse or dispose of any substantial part of the racecourse. The total contingent liability under the above agreements amounted to £47,093 at 31 December 2004 (2003: £69,055).

18 Related party transactions

The company has taken advantage of the exemption not to disclose its transactions with group companies as its results are consolidated into the financial statements of its parent company which are publicly available.

19 Ultimate parent company

The immediate parent company is Northern Races Limited which is registered in England and Wales. 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.