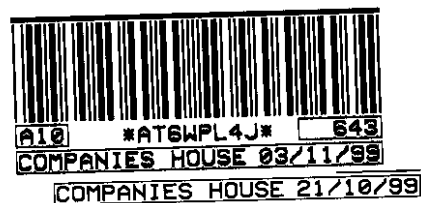


THE WINDSOR RACECOURSE COMPANY LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER, 1998

Registered No 80159



THE WINDSOR RACECOURSE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER, 1998

ACTIVITIES

The principal activity of the company during the year has continued to be that of a holding company. The subsidiary company, Windsor Racing Limited carried on business as a racecourse operator. The directors are of the opinion that the group continues to operate satisfactorily.

RESULTS AND DIVIDEND

The year's activities resulted in a profit on ordinary activities after taxation and minority interests of £217,173 (1997 : £97,414). The directors do not recommend the payment of a dividend (1997 : £nil).

FIXED ASSETS

Changes to the Group's fixed assets are shown in notes 6 and 7 to the financial statements.

DIRECTORS AND STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors who served during the year, and their beneficial interests (including spouses' interests) in the ordinary share capital of the company and of its subsidiary, at the beginning and end of the year were as follows, according to the register maintained by the company:

	The Windsor Racecourse Company Ltd		Windsor Racing Limited	
	£1 ordinary shares		£1 'B' ordinary shares	
	31st December	1st January	31st December	1st January
D B Thompson	24,305	24,305	194	194
J P Carrington	-	-	-	-
R B Copus	-	-	-	-
R C Thompson	1,500	1,500	12	12

Since 31st December 1998, R C Thompson has transferred his shares in the company and its subsidiary to D B Thompson.

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 group, 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;
- prepare financial statements on a going concern basis unless it is inappropriate to presume that the company and 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 the group 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.

THE WINDSOR RACECOURSE COMPANY LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER, 1998 (CONTINUED)

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG as auditors of the Company, is to be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



C. J. Dant
Secretary

18th October, 1999

THE WINDSOR RACECOURSE COMPANY LIMITED

**AUDITORS REPORT TO THE MEMBERS OF
THE WINDSOR RACECOURSE COMPANY LIMITED**

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

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 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 of the group at 31st December 1998, and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors
London

18th October, 1999

THE WINDSOR RACECOURSE COMPANY LIMITED AND SUBSIDIARY COMPANY

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 1998**

	Notes	1998	1997
		£	£
Turnover - continuing activities	1	2,551,622	2,382,588
Other operating income	2	30,000	30,000
		<u>2,581,622</u>	<u>2,412,588</u>
Staff costs	3	309,649	286,974
Depreciation		209,060	202,303
Other operating charges	4	1,786,144	1,763,042
		<u>(2,304,853)</u>	<u>(2,252,319)</u>
		276,769	160,269
Income from fixed asset investments		149,083	17,896
Interest receivable		3,998	3,844
Interest payable		(15)	-
		<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	<u>182,009</u>
		429,835	
Taxation	5	(151,918)	(64,336)
		<u>277,917</u>	<u>117,673</u>
Minority interest		(60,744)	(20,259)
Retained profit for the year attributable to the shareholders	14	<u>217,173</u>	<u>97,414</u>
Profit for the year retained in:			
Holding company	14	24,819	24,639
Subsidiary		192,354	72,775
		<u>217,173</u>	<u>97,414</u>

There were no recognised gains and losses other than those shown in the profit and loss account for the current or prior period.

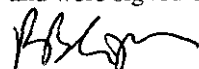
Historical cost profits and losses are as shown in the profit and loss account.

THE WINDSOR RACECOURSE COMPANY LIMITED AND SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER, 1998

	Notes	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible assets	6		10,818,680		10,924,347
Investments			37		37
			<u>10,818,717</u>		<u>10,924,384</u>
CURRENT ASSETS					
Debtors	8	321,573		316,263	
Cash and short term deposits		73,969		5,722	
		<u>395,542</u>		<u>321,985</u>	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	9	(655,136)		(704,204)	
		<u></u>		<u></u>	
NET CURRENT LIABILITIES			(259,594)		(382,219)
			<u></u>		<u></u>
Total assets less current liabilities			10,559,123		10,542,165
Creditors: amounts falling due after more than one year	10		(1,000,272)		(1,141,990)
PROVISION FOR LIABILITIES AND CHARGES					
	11		(4,317)		(111,226)
Grant account	12		(320,626)		(332,958)
			<u></u>		<u></u>
NET ASSETS			9,233,908		8,955,991
			<u></u>		<u></u>
CAPITAL AND RESERVES					
Called up share capital	13		30,000		30,000
Profit and loss account			787,842		570,669
Revaluation reserve			8,064,408		8,064,408
Other reserves			194,565		194,565
	14		<u>9,076,815</u>		<u>8,859,642</u>
Minority interest			157,093		96,349
			<u></u>		<u></u>
NET ASSETS			9,233,908		8,955,991
			<u></u>		<u></u>

The accounts on pages 4 to 14 were approved by the board of directors on 18th October, 1999 and were signed on its behalf by:



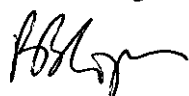
R. B. Copus
Director

THE WINDSOR RACECOURSE COMPANY LIMITED

COMPANY BALANCE SHEET AT 31ST DECEMBER, 1998

	Notes	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible assets	6		8,250,000		8,250,000
Investments	7		13,832		13,832
			<u>8,263,832</u>		<u>8,263,832</u>
CURRENT ASSETS					
Debtors	8	323,999		299,298	
Cash at bank and in hand		114		176	
		<u>324,113</u>		<u>299,474</u>	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	9	(11,150)		(11,330)	
		<u></u>		<u></u>	
NET CURRENT ASSETS			312,963		288,144
			<u></u>		<u></u>
Total assets less current liabilities			8,576,795		8,551,976
PROVISION FOR LIABILITIES AND CHARGES					
	11		(4,317)		(4,317)
			<u></u>		<u></u>
NET ASSETS			8,572,478		8,547,659
			<u></u>		<u></u>
CAPITAL AND RESERVES					
Called up share capital	13		30,000		30,000
Profit and loss account			283,505		258,686
Revaluation reserve			8,064,408		8,064,408
Other reserves			194,565		194,565
			<u></u>		<u></u>
	14		8,572,478		8,547,659
			<u></u>		<u></u>

The financial statements on pages 4 to 14 were approved by the board of directors on 18th October, 1999 and were signed on its behalf by:



R. B. Copus
Director

THE WINDSOR RACECOURSE COMPANY LIMITED AND SUBSIDIARY COMPANY

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 1998**

	Notes	<u>1998</u> £	<u>1997</u> £
NET CASH INFLOW FROM OPERATING ACTIVITIES	15	<u>287,553</u>	<u>454,363</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from fixed asset investments		149,083	17,896
Interest receivable		3,998	3,844
Interest payable		<u>(15)</u>	<u>-</u>
		<u>153,066</u>	<u>21,740</u>
TAXATION		<u>(93,823)</u>	<u>(33,200)</u>
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets		(107,947)	(141,612)
Disposal of tangible fixed assets		<u>4,608</u>	<u>2,226</u>
		<u>(103,339)</u>	<u>(139,386)</u>
CASH INFLOW BEFORE FINANCING		<u>243,457</u>	<u>303,517</u>
FINANCING			
Repayment of long-term creditors		<u>(141,718)</u>	<u>(537,373)</u>
INCREASE / (DECREASE) IN CASH	16	<u>101,739</u>	<u>(233,856)</u>
NET FUNDS AT YEAR END	16	<u>73,969</u>	<u>(27,770)</u>

THE WINDSOR RACECOURSE COMPANY LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Accounting Convention and Basis of Consolidation

The financial statements are prepared under the historical cost convention, as modified to allow for the revaluation of certain assets, and in accordance with applicable Accounting Standards.

The consolidated profit and loss account and balance sheet combine the profits, assets and liabilities of The Windsor Racecourse Company Limited and of its subsidiary, Windsor Racing Limited which is incorporated in England and Wales.

Of the profits attributable to the group, a profit of £24,819 (1997: £24,639) has been dealt with in the separate financial statements of The Windsor Racecourse Company Limited, which has taken advantage of the statutory exemption (s230 Companies Act 1985) permitting it not to present its own profit and loss account.

Turnover

Turnover represents the total receipts from the racing operation of the course, including Horserace Betting Levy Board contributions to prize money and excluding Value Added Tax.

Tangible Fixed Assets

Tangible fixed assets, other than land, are stated at cost less accumulated depreciation. Depreciation is charged on the straight line basis at rates estimated to write off the assets over their expected useful lives. A full year's charge is generally charged in the year of purchase, with none in the year of sale. The rates used are as follows:-

Motor vehicles	25% per annum
Plant and equipment	20% per annum
Fixtures and fittings	10% per annum
Freehold buildings	2.5% per annum

Land is stated at market value on the basis of its existing use.

Fixed asset investments are stated at the lower of cost and market value.

Deferred Taxation

Deferred taxation is provided for using the liability method in respect of the taxation effect of all timing differences except to the extent that liabilities are not expected to crystallise in the foreseeable future.

Capital grants

Capital grants received are taken to the grant account. Credits are made to the profit and loss account by equal annual instalments over a period of 30 years which, on average, matches the period over which the relevant fixed assets are depreciated.

Pension costs

Pension costs charged to the profit and loss account represent the amount of contributions payable to pension schemes within the Group in respect of the accounting period.

THE WINDSOR RACECOURSE COMPANY LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

2 OTHER OPERATING INCOME

Other operating income comprises rental income, and income from non-raceday activities, exclusive of Value Added Tax.

3 STAFF COSTS

	<u>1998</u>	<u>1997</u>
	£	£
Wages and salaries	276,173	256,292
Social security costs	20,214	18,264
Other pension costs	13,262	12,418
	<u>309,649</u>	<u>286,974</u>
	<u>1998</u>	<u>1997</u>
	Number	Number
The average number of persons employed during the year was:		
Administration	4	4
Ground staff	7	6
Raceday staff	80	90
	<u>91</u>	<u>100</u>

None of the directors of the company received any remuneration during the year.

4 OTHER OPERATING CHARGES

	<u>1998</u>	<u>1997</u>
	£	£
Other operating charges include:		
Auditor's remuneration	<u>6,000</u>	<u>6,000</u>

5 TAXATION

	<u>1998</u>	<u>1997</u>
	£	£
UK corporation tax at effective rate 31% (1997: 31.5%)	85,193	60,757
Underprovision in respect of prior years	36,908	-
Tax on franked investment income	29,817	3,579
	<u>151,918</u>	<u>64,336</u>

THE WINDSOR RACECOURSE COMPANY LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

6 TANGIBLE FIXED ASSETS

GROUP	Land and buildings £	Plant and Equipment £	Vehicles £	Total £
COST OR VALUATION				
At 1st January, 1998	10,600,307	1,308,939	31,774	11,941,020
Additions	30,247	77,700	-	107,947
Disposals	-	(8,917)	-	(8,917)
At 31st December, 1998	10,630,554	1,377,722	31,774	12,040,050
DEPRECIATION				
At 1st January, 1998	209,500	775,399	31,774	1,016,673
Charge for the year	59,518	149,542	-	209,060
Eliminated on disposals	-	(4,363)	-	(4,363)
At 31st December, 1998	269,018	920,578	31,774	1,221,370
NET BOOK VALUE				
At 31st December, 1998	10,361,536	457,144	-	10,818,680
At 31st December, 1997	10,390,807	533,540	-	10,924,347
COMPANY			Freehold land £	
Valuation at 31st December, 1998 and at 31st December, 1997			8,250,000	

The carrying value of the company's 165 acres of freehold land has been restated at its existing use value of £8,250,000. The historical cost of this land is £185,592. The freehold property was valued by external valuers, William Hillary Leisure & Hotels, Chartered Surveyors, as at 31st December 1996 on the basis of its existing use value as a fully equipped operational entity having regard to trading potential in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

THE WINDSOR RACECOURSE COMPANY LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

7 FIXED ASSET INVESTMENTS

The company holds all the 760 £1 "A" ordinary shares issued by Windsor Racing Limited representing 76% of the issued share capital. The company also has a loan outstanding to its subsidiary. The loan is unsecured and carries interest at 8% per annum.

	Shares £	Loan £	Total £
Balances at 1st January and 31st December, 1998	760	13,072	13,832

8 DEBTORS

	GROUP		COMPANY	
	1998	1997	1998	1997
	£	£	£	£
Trade debtors	71,065	99,340	-	-
Amounts due from subsidiary company	-	-	207,401	212,699
Amounts due from affiliated company	116,598	86,598	116,598	86,599
Other debtors	4,042	27,010	-	-
Prepayments and accrued income	129,868	103,315	-	-
	321,573	316,263	323,999	299,298

9 CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	GROUP		COMPANY	
	1998	1997	1998	1997
	£	£	£	£
Loans from Horserace Betting Levy Board	242,000	363,000	-	-
Bank overdraft	-	33,492	-	-
Trade creditors	152,212	37,705	-	-
Corporation tax	118,851	60,756	11,150	11,330
Other taxation and social security payments	10,153	7,782	-	-
Accruals and deferred income	131,920	201,469	-	-
	655,136	704,204	11,150	11,330

THE WINDSOR RACECOURSE COMPANY LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

10 CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)

	GROUP		COMPANY	
	1998	1997	1998	1997
	£	£	£	£
Loans from Horserace Betting Levy Board	312,500	453,000	-	-
Amounts due to affiliated company	344,976	296,120	-	-
Other creditors	342,796	392,870	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,000,272	1,141,990	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The loans from the Horserace Betting Levy Board are repayable within five years and are secured by a fixed charge over the racecourse land and a floating charge over the assets of the subsidiary, Windsor Racing Limited.

11 PROVISIONS FOR LIABILITIES AND CHARGES

	GROUP		COMPANY	
	1998	1997	1998	1997
	£	£	£	£
Contingent liability	4,317	4,317	4,317	4,317
Provision for track repair costs	-	106,909	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	4,317	111,226	4,317	-
	<hr/>	<hr/>	<hr/>	<hr/>

There is a contingent liability in respect of contributions from the Horserace Betting Levy Board, in that a proportion of such sums would be repayable on the cessation of racing activities. The amount so repayable by the group at 31st December, 1998 was £4,317 (1997: £4,317) all of which relates to the parent company. This sum has been provided for in full. No security has been given in respect of the contingency.

The provision for track repair costs was utilised during the year.

There were no other material contracted or authorised capital commitments at the end of the financial year.

12 GRANT ACCOUNT

	GROUP	COMPANY
	£	£
Balance at 1 January 1998	332,958	-
Capital grants credited to the profit and loss account	(12,332)	-
	<hr/>	<hr/>
Balance at 31 December 1998	320,626	-
	<hr/>	<hr/>

THE WINDSOR RACECOURSE COMPANY LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

13 SHARE CAPITAL

	Authorised		Allotted, called-up and fully paid	
	1998	1997	1998	1997
	£	£	£	£
30,000 ordinary shares of £1 each	30,000	30,000	30,000	30,000

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	1998	1997	1998	1997
	£	£	£	£
Shareholders' funds at 1 January	8,859,642	8,762,228	8,547,659	8,523,020
Retained profit for the year	217,173	97,414	24,819	24,639
Shareholders' funds at 31 December	9,076,815	8,859,642	8,572,478	8,547,659

**15 RECONCILIATION OF OPERATING PROFIT TO NET CASH
INFLOW FROM OPERATING ACTIVITIES**

	1998	1997
	£	£
Operating profit	276,769	160,269
Depreciation	209,060	202,303
Amortisation of grant account	(12,332)	(12,332)
(Profit) / loss on sale of fixed assets	(54)	886
Increase in debtors	(5,310)	(97,186)
(Decrease) / increase in creditors falling due within one year	(73,671)	93,514
(Decrease) / increase in provisions for liabilities	(106,909)	106,909
	287,553	454,363

THE WINDSOR RACECOURSE COMPANY LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

16 ANALYSIS OF CHANGES IN NET FUNDS

	NET FUNDS		MOVEMENT IN YEAR	
	1998	1997	1998	1997
	£	£	£	£
Cash at bank and in hand	73,969	5,722	68,247	(200,364)
Bank borrowings	-	(33,492)	33,492	(33,492)
	73,969	(27,770)	101,739	(233,856)

17 PENSION COSTS

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable to the fund and amounted to £13,262 (1997: £12,418).

18 RELATED PARTY TRANSACTIONS

The Windsor Racecourse Company Limited is controlled by Mr and Mrs D B Thompson.

During the year the company received £5,000 (1997: £5,000) from its subsidiary, Windsor Racing Limited, for rent of the racecourse land owned by the company. The company has also lent funds to Windsor Racing Limited during the course of the year. The balance owed to the company by Windsor Racing Limited at 31st December 1998 totalled £220,473 (1997: £225,772). Of these funds £13,072 (1997: £13,072) was subject to interest totalling £1,046 (1997: £1,046). The remainder was lent on an interest-free basis.

During the year the company received £30,000 (1997: £30,000) from Windsor Concessions Limited, a company also controlled by Mr and Mrs D B Thompson, for rent of part of the land owned by the company. There was also a balance owed to the company by Windsor Concessions Limited at 31st December 1998 of £116,598 (1997: £86,598). No interest has been charged on this balance.

During the year the subsidiary, Windsor Racing Limited, received £60,000 (1997: £58,000) from Windsor Concessions Limited for staff services and use of facilities provided in the normal course of business. There is also a current account maintained by these two companies. The balance owed to Windsor Concessions Limited by Windsor Racing Limited at 31st December 1997 totalled £344,976 (1997: £296,120). No interest has been charged on this balance.

During the year Windsor Racing Limited paid £110,000 to Thompson Investments (London) Limited and £10,000 to Hallam Meat Company Limited (1997: £110,000 to Southfield Trading (UK) Limited) for management services provided in the normal course of business. Each of these companies is controlled by Mr and Mrs D B Thompson.

Mr D B Thompson has also lent funds to Windsor Racing Limited during the course of the year on an interest-free basis in order to finance the company's activities. The balance owed to D B Thompson at 31st December 1998 is included in other creditors and totalled £342,796 (1997: £392,870).

None of the directors of the company received any remuneration in respect of their duties as directors. H P C Bevan, a director of Windsor Racing Limited for part of the year, was also Clerk of the Course, and received fees of £18,041 (1997: £17,436) in this capacity.