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REGISTRAR

Thirsk Racecourse Limited

Report and Financial Statements

31 March 2006

ERNST & YOUNG

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COMPANIES HOUSE 06/07/2006

Registered No: 193619

Directors
E C York (Chairman)
C M Tetley (Managing Director)
J F Sanderson
J Bell
D A Howie
M Holford
J L Smith

Secretary
C M Tetley

Auditors
Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers
Midland Bank Plc
77 Market Place
Thirsk
North Yorkshire

Registered Office
The Racecourse
Station Road
Thirsk
North Yorkshire
YO7 1QL

ERNST & YOUNG

Notice of meeting

Notice is hereby given that the eighty second Annual General Meeting of the company will be held at The Racecourse, Thirsk at 12 noon on Friday 4 August 2006 to transact the business of the meeting of the company in accordance with the Articles of Association.

Agenda

1. To read the minutes of the last Annual General Meeting.
2. To receive and adopt the directors' report and the audited accounts for the year ended 31 March 2006.
3. To approve fees for the directors.
4. To confirm the appointment of directors.
5. To confirm the dividend.
6. To appoint Ernst & Young LLP as auditors and authorise the directors to fix their remuneration.
7. To transact any other business of an Annual General Meeting.

On behalf of the Board.

E C York
Director

The Racecourse
Station Road
Thirsk

4 July 2006

Note: A member of the company entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his behalf. A proxy need not also be a member of the company.

Directors' report

The directors present their report and financial statements for the year ended 31 March 2006.

Results and dividends

The profit for the year, after taxation, amounted to £238,117.

Whilst the directors are delighted with the reported level of profitability achieved in the year, they highlight the favourable impact on profit of certain non-recurring income. The attheraces settlement resulted in the recognition in the profit and loss account of previously deferred income of £115,664 and the sale of half of the SIS shares realised a profit of £56,870. The directors are therefore forecasting a considerable reduction in profitability in 2006/07.

The directors recommend an ordinary dividend of £1,428, which will be paid in July 2006 to ordinary shareholders. Shareholders will be asked to confirm this action at the Annual General Meeting.

During the year the company implemented FRS 21. Dividends are now recognised in the financial statements in the year in which they are paid, or in the case of a final dividend, when approved by the shareholders. As such the amount of £1,428 recognised in the 2006 financial statements, as described in note 9, represents the 2005 proposed dividend at 31 March 2005 which has been paid during 2005/06.

Principal activity

The principal activity of the company continued to be that of racecourse proprietors.

Review of the business and future developments

After a dismal first half to the season with rain falling at sometime on each of the first 9 days, the second half from mid-June onwards improved dramatically. Attendances recovered to finish the 15 day season only 768 down on 2004 which under the circumstances was highly satisfactory. In support of the racing programme, Non-Race day business is booming with income from non-raceday activity constantly rising.

A busy programme of maintenance has continued throughout the year with major projects being the refurbishment of all 110 stables to meet new Jockey Club standards. The application of waterproof asphalt to the steppings of the first concrete stand in an attempt to cure the running damp which has pervaded the Tote Betting Shop for years. The main winter project was the creation of a new kitchen on the box corridor to comply with Health and Safety regulations and which necessitated the relocation of the Ladies toilet. With the exception of the asphalting all this work has been done by Racecourse staff with the assistance of local craftsmen.

In the wider racing world, 2005 was the year of the Court Case, with three major areas of litigation being resolved. The Court of Appeal ruled against the BHB in their case with William Hill, a judgement which heralded the end of BHB aspirations to market Data rights and which subsequently confirmed the views of many that there is no alternative to some form of statutory funding to finance racing for the future. The Racecourse Association lodged a wholly successful appeal to the Competition Appeals Tribunal against the infringement decision issued by the Office of Fair Trading (OFT) in relation to the original Media Rights Agreement with Attheraces PLC.

The third and perhaps most overtly successful court case from Thirsk's point of view was the conclusion of ATR v RCA, under which the successor to Attheraces, ATR brought legal proceedings against the RCA and Racing UK courses, of which Thirsk is one, claiming £51 million in rebated fees from the old contract with Attheraces. Despite lengthy attempts at mediation ATR pressed on to court where after only two days of fierce questioning ATR capitulated and offered to settle for £4m. They finally accepted £1m in full and final settlement of which Thirsk's share will be £12,956 plus some legal costs. When viewed against more than £300,000 which Thirsk earned from the old Attheraces contract this is a very satisfactory result.

Directors' report

Directors and their interests

The directors during the year and their interests in the share capital of the company were as follows:

	31 March 2006 *£100 Ordinary shares*	*31 March 2005* *£100 ordinary shares*
C M Tetley	3	3
J F Sanderson	4	4
J Bell	70	70
E C York	5	5
D A Howie	2	2
M Holford	1	1
J L Smith	1	1

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom Law and United Kingdom Generally Accepted Accounting Practice.

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 the company 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. The directors 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.

Charitable donations

The company made charitable donations during the year totalling £1,864 (2005 - £2,130).

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the director' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and

- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Directors' report

Financial Risk Management Policy

The company's principal financial instruments comprise cash and cash equivalents and investments listed on the London Stock Exchange. Other financial assets and liabilities, such as trade creditors and trade debtors, arise directly from the company's operating activities.

The main risks associated with the company's financial assets and liabilities are set out below. The company does not undertake any hedging activity.

Interest rate risk

The company invests surplus cash in short term fixed and variable rate interest yielding deposit accounts. Therefore financial assets, liabilities, interest income and cash flows can be affected by movements in interest rates. However, the directors do not consider there to be any significant exposure.

Price risk

The company's exposure to changing market prices on the value of financial instruments can have an impact on the carrying value of financial assets such as the company's investments listed on the London Stock Exchange. The company seeks to manage its exposure to this risk by trading their investments, through the advice provided by an independent stockbroker, where this is deemed appropriate. There is no significant exposure to changes in the carrying value of financial liabilities.

Credit risk

The company's policy is aimed at minimising such losses. Individual exposures and overdue debts are monitored with each customer to ensure that the company's exposure to bad debts is managed accordingly.

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generated by its operations. Capital and major repair expenditure is approved by the directors and flexibility is maintained by retaining sufficient surplus cash in readily accessible bank accounts.

Foreign currency risk

The company does not transact in foreign currency and is therefore not exposed to fluctuating foreign currency exchange rates.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board.

E C York
Director

4 July 2006

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Independent auditors' report

to the members of Thirsk Racecourse Limited

We have audited the company's financial statements for the year ended 31 March 2006 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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 the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and that the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, 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 other transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report

to the shareholders of Thirsk Racecourse Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Newcastle upon Tyne

4 July 2006

Profit and loss account

For the year ended 31 March 2006

	Notes	2006 £	2005 £
Turnover	2	1,817,905	1,738,781
Other operating income		403,275	275,642
		2,221,180	2,014,423
External charges		1,351,831	1,332,268
		869,349	682,155
Staff costs	5	202,336	192,725
Depreciation		45,083	40,507
Other operating charges		423,365	384,711
		670,784	617,943
Operating profit	3	198,565	64,212
Income from investments	6	7,877	2,697
Profit (2005 – loss) on disposal of investments		56,870	(14,643)
Bank and other interest receivable		22,963	17,235
Interest payable	7	(11)	-
		87,699	5,289
Profit on ordinary activities before taxation		286,264	69,501
Tax on profit on ordinary activities	8	48,147	18,037
Profit for the financial year	18	£238,117	£51,464

Statement of total recognised gains and losses

There were no recognised gains or losses other than the profit attributable to shareholders for the year ended 31 March 2006 of £238,117 and the profit of £51,464 for the year ended 31 March 2005.

Balance sheet

At 31 March 2006

	Notes	2006 £	Restated 2005 £
Fixed assets			
Tangible assets	10	1,350,926	1,364,279
Investments	11	347,710	98,587
		1,698,636	1,462,866
Current assets			
Debtors	12	71,350	111,759
Cash at bank and in hand		572,215	671,161
		643,565	782,920
Creditors: amounts falling due within one year	13	219,648	214,324
Net current assets		423,917	568,596
Total assets less current liabilities		2,122,553	2,031,462
Creditors: amounts falling due after more than one year			
HBLB Loan	15	-	60,000
Provisions for liabilities and charges			
Deferred taxation	16	10,818	10,113
Accruals and deferred income			
Grant account	14	1,160,876	1,118,559
Deferred income	14	-	128,620
		1,171,694	1,317,292
		£950,859	£714,170
Capital and reserves			
Called up share capital	17	27,200	27,200
Grant reserve	18	190,581	162,898
Profit and loss account	18	733,078	524,072
Equity shareholders' funds		£950,859	£714,170

C M Tetley Director

4 July 2006

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Notes to the financial statements

At 31 March 2006

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

Prior year adjustment

The company has adopted FRS 21 'Events after the Balance Sheet Date' in these financial statements. Dividends are now recorded where an obligation exists at the balance sheet date. Consequently, dividends which the Company approves in a general meeting after the balance sheet date are no longer accrued, but are required to be disclosed in the notes to the financial statements (see note 9). The prior year comparative figures have been restated to reflect the dividends paid in that year, in accordance with the first year adoption requirements of FRS 21.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	over 50 years
Leasehold land and buildings	-	over 50 years
Plant and machinery	-	over 4 years
Office equipment	-	over 5 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying values may not be recoverable.

Investments

Fixed asset investments are recorded in the balance sheet at their cost at date of acquisition, including costs of acquisition. The Directors review the market value of listed investments annually and make appropriate provisions for any permanent diminution in value.

Deferred taxation

Deferred taxation is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception :

Deferred taxation assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Capital grants

Capital grants are received from the Horserace Betting Levy Board ("HBLB") 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 instalment over a period of 4 to 50 years, which on average, matches the period over which the relevant fixed assets are depreciated. An amount equal to the credits so made, is transferred from the profit and loss account to the grant reserve (which is non distributable).

Notes to the financial statements

At 31 March 2006

1. Accounting policies (continued)

Deferred income

Media rights income was credited to the profit and loss account so as to spread it equally over the first five years of the contract in accordance with the agreement with Attheraces Plc until its termination on 29 March 2004. Costs associated with the agreement are charged to the profit and loss account in the year in which they are incurred.

Pensions

The company contributes to a defined contribution pension scheme for one of its directors and one employee. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Cash flow statement

The company has not prepared a cash flow statement on the grounds that it is exempt under FRS1 as a small company.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts received from third parties, and is attributable to one continuing activity, the income from holding race meetings. It arose wholly in the UK.

Pre tax profit is wholly attributable to the holding of race meetings and associated activities.

3. Operating profit

This is stated after charging/(crediting):

	2006	*2005*
	£	*£*
Amortisation of capital grants	(27,683)	(26,092)
Auditors' remuneration	8,000	7,500
Depreciation of owned tangible fixed assets	45,083	40,507
Rental income	(60,440)	(55,833)

4. Directors' emoluments

	2006	*2005*
	£	*£*
Fees	900	900
Other emoluments	40,000	31,693
Estimated benefits in kind	2,000	2,000
Contributions made by company to money purchase pension schemes	2,560	2,028
	£45,460	£36,621

The company contributes to a money purchase pension scheme for one (2005 - one) of its directors.

Notes to the financial statements

At 31 March 2006

5. Staff costs

	2006	2005
	£	£
Wages and salaries	181,998	173,164
Social security costs	16,448	15,434
Other pension costs	3,890	4,127
	£202,336	£192,725

The average monthly number of employees during the year was as follows:

	2006	2005
	No.	No.
Directors	6	6
Management and administration	3	3
Racecourse	7	7
	16	16

6. Income from investments

	2006	2005
	£	£
Listed	2,453	2,697
Unlisted	5,424	-
	£7,877	£2,697

7. Interest payable

	2006	2005
	£	£
Bank loans and overdrafts	£11	£ -

Notes to the financial statements

At 31 March 2006

8. Tax on profit on ordinary activities

(a) The tax charge is made up as follows:

	2006	*2005*
	£	£
Current tax		
UK corporation tax	47,429	7,279
Tax under provided in previous years	13	645
Total current tax	47,442	7,924
Deferred tax		
Originating and reversal of timing differences	705	8,663
Prior year adjustments	-	1,450
Total deferred tax	705	10,113
Tax on profit on ordinary activities	£48,147	£18,037

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation in the UK. The differences are explained below:

	2006	*2005*
	£	£
Profit on ordinary activities before tax	286,264	69,501
Profit on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 19% (2005: 19%)	54,390	13,205
Effect of:		
Disallowed expenses and non-taxable income	5,149	5,599
Capital Allowances in excess of depreciation	(705)	(862)
Losses brought forward utilised	(4,626)	(7,629)
Non taxable dividend and other income	(6,779)	(5,470)
Adjustments in respect of previous periods	13	645
Capital loss	-	2,781
Other (marginal rate, rounding etc)	-	(345)
Total current tax charge for the year	£47,442	£7,924

(c) Factors that may affect future tax charges

The directors expect no material change to the effective rate of tax in the foreseeable future.

Notes to the financial statements

At 31 March 2006

9. Dividend

	2006	2005
	£	£
Equity dividend:		
Ordinary – paid	£1,428	£1,428
Final dividends proposed	£1,428	£1,428

10. Tangible fixed assets

	Land and buildings			Fixtures,	
		Long	Plant and	fittings and office	
	Freehold	leasehold	machinery	equipment	Total
	£	£	£	£	£
Cost:					
At 1 April 2005	68,378	1,579,664	83,697	62,555	1,794,294
Additions	-	-	29,206	2,524	31,730
At 31 March 2006	68,378	1,579,664	112,903	65,079	1,826,024
Depreciation:					
At 1 April 2005	14,208	282,092	78,439	55,276	430,015
Provided during the year	1,367	30,110	9,556	4,050	45,083
At 31 March 2006	15,575	312,202	87,995	59,326	475,098
Net book value:					
At 31 March 2006	£52,803	£1,267,462	£24,908	£5,753	£1,350,926
At 1 April 2005	£54,170	£1,297,572	£5,258	£7,279	£1,364,279

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Notes to the financial statements

At 31 March 2006

11. Investments

	£
Cost:	
At 1 April 2005	98,587
Additions	-
Transferred from cash at bank	249,133
Disposals	(10)
At 31 March 2006	£347,710

	2006	2005
	£	£
Listed on the London stock exchange	89,851	89,851
Unlisted investments	10	20
Cash	257,849	8,716
	£347,710	£98,587
Valuation:		
Listed investments – market value	£167,922	£122,431
Taxation on potential capital gain if sold at valuation	£12,000	£2,000

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12. Debtors

	2006	2005
	£	£
Trade debtors	33,185	27,074
Other debtors	30,000	41,188
Prepayments and accrued income	8,165	43,497
	£71,350	£111,759

13. Creditors: amounts falling due within one year

	2006	Restated 2005
	£	£
Trade creditors	67,741	84,799
Current corporation tax	46,244	7,279
Other taxes and social security costs	810	4,382
Accruals and deferred income	44,853	47,864
Horserace Betting Levy Board loan (note 15)	60,000	70,000
	£219,648	£214,324

Notes to the financial statements

At 31 March 2006

14. Accruals and deferred income

		Media Rights Deferred Income		*Deferred HBLB and other grants*
	2006	*2005*	*2006*	*2005*
	£	*£*	*£*	*£*
Balance at 1 April	128,620	128,620	1,118,559	1,074,651
Media rights settlement paid during the year	(12,956)	-	-	-
Media rights income to profit and loss account	(115,664)	-	-	-
HBLB capital grants received during the year	-	-	70,000	70,000
Amortisation of grants to profit and loss account	-	-	(27,683)	(26,092)
Balance at 31 March	£ -	£128,620	£1,160,876	£1,118,559

15. Loans

	2006	*2005*
	£	*£*
Not wholly repayable within five years:		
Horserace Betting Levy Board – interest free loan repayable in annual instalments commenced 1 May 2000	60,000	130,000
Less: included in Creditors: amounts falling due within one year (note 13)	60,000	70,000
	£ -	£60,000

Amounts repayable:		
In less than one year	60,000	70,000
In one to two years	-	60,000
	£60,000	£130,000

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Notes to the financial statements

At 31 March 2006

16. Provisions for liabilities and charges

The movements in deferred taxation during the current and previous years are as follow:

	2006	2005
	£	£
At 1 April	10,113	-
Charge for the year (note 8)	705	10,113
At 31 March	£10,818	£10,113

Deferred tax can be analysed as follows:

		Provided		Not Provided
	2006	2005	2006	2005
	£	£	£	£
Accelerated capital allowances	10,818	10,113	-	-
Other timing differences – losses	-	-	-	-
	£10,818	£10,113	£ -	£ -

17. Called up share capital

		Authorised		Allotted, Called up and fully paid
	31 March 2006	31 December 2005	31 March 2006	31 December 2005
	No.	No.	£	£
Ordinary shares of £100 each	300	300	£27,200	£27,200

Notes to the financial statements

At 31 March 2006

18. Movements on reserves

	Grant reserve	*Profit and loss account*	*Total*
	£	*£*	*£*
At 1 April 2004 as previously reported	136,806	498,700	635,506
Prior year adjustment	-	1,428	1,428
At 1 April 2004 restated	136,806	500,128	636,934
Profit for the year	-	51,464	51,464
Dividends	-	(1,428)	(1,428)
Transfer of grant account amortisation	26,092	(26,092)	-
At 1 April 2005 restated	162,898	524,072	686,970
Profit for the year	-	238,117	238,117
Dividends paid	-	(1,428)	(1,428)
Transfer of grant account amortisation	27,683	(27,683)	-
At 31 March 2006	£190,581	£733,078	£923,659

The grant reserve is non-distributable.

19. Capital commitments

	2006	*2005*
	£	*£*
Contracted	£Nil	£Nil

20. Contingent liabilities

Under the Attheraces contract there are a number of events that can trigger the early termination of either the entire contract, or termination of the contract with the course alone. These events include breach, insolvency, force majeure, adverse legislative change and regulatory interference.

The Attheraces contract was terminated on 29 March 2004.

In the event of an early termination a rebate may be payable by the company to Attheraces. The rebate would be payable from future revenues, provided they are generated from the sale of rights currently granted to Attheraces. The company settled its liability in full with Attheraces during the year with a repayment of £12,956.

21. Pension commitments

The company contributes to a defined contribution pension scheme for one of its directors and one employee. The assets of the scheme are held separately from those of the company in an independently administered fund.

22. Controlling party

In the opinion of the directors, no individual shareholder has overall control of the company.

Notes to the financial statements

At 31 March 2006

23. Transactions with directors

During the year, the company paid rent to Mr J Bell, a director, amounting to £14,373 (2005: £14,048).

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