

**AINTREE RACECOURSE COMPANY
LIMITED**

Report and Financial Statements

31 December 1998

**Deloitte & Touche
PO Box 500
201 Deansgate
Manchester
M60 2AT**



AINTREE RACECOURSE COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 1998

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AINTREE RACECOURSE COMPANY LIMITED

DIRECTORS' REPORT

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

ACTIVITIES

The principal activities of the company are those of racecourse management and the promoting of horse race meetings and other major events at Aintree.

REVIEW OF DEVELOPMENTS, FINANCIAL POSITION AND FUTURE PROSPECTS

The results for the year are set out in the profit and loss account on page 4 and are considered satisfactory in the context of the general economic climate.

DIRECTORS

The following were directors of the company during the year and since the year end, none of whom had any interest at any time during the year in the shares of the company or any other group company during that time:

Lord Daresbury
R J McAlpine
C H Barnett
R Fildes

Throughout the year, Lord Daresbury and R J McAlpine were members of The Jockey Club, the company's ultimate parent undertaking.

During the year the company purchased director's liability insurance.

DIVIDENDS

The directors do not recommend the payment of a dividend (1997 - £Nil).

YEAR 2000

The company has implemented a review of all financial and operating systems and identified incidences of potential non-compliance. A programme of replacement or upgrade has now been implemented and is expected to be completed in the first half of this year. The investment required to remedy any such non-compliance has not been fully quantified at 31 December 1998 although it is not expected to be significant to the company's operating result.

AUDITORS

A resolution has been passed dispensing with the need to appoint auditors annually and therefore Deloitte & Touche will continue in office next year.

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


JANET AINSWORTH

Secretary

9 April 1999

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 as at the end of the financial year and of the profit or loss of 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. 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' REPORT TO THE MEMBERS OF AINTREE RACECOURSE COMPANY LIMITED

We have audited the financial statements on pages 4 to 15 which have been prepared under the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

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

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

19 April 1999

AINTREE RACECOURSE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 1998

	Note	1998 £	1997 £
TURNOVER		5,411,925	4,646,643
Cost of sales		<u>(2,797,512)</u>	<u>(2,377,004)</u>
Gross profit		2,614,413	2,269,639
Administrative expenses		(1,757,042)	(1,293,284)
Other operating income	3	<u>76,145</u>	<u>9,141</u>
		<u>(1,680,897)</u>	<u>(1,284,143)</u>
OPERATING PROFIT		933,516	985,496
(Loss)/profit on sale of land	9	(112,639)	865,196
Interest receivable and similar income	4	74,461	77,176
Interest payable and similar charges	5	<u>(62,170)</u>	<u>(2,206)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	833,168	1,925,662
Taxation on profit on ordinary activities	7	<u>(221,229)</u>	<u>(441,491)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	19	<u>611,939</u>	<u>1,484,171</u>

The company has no recognised gains or losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

All items dealt with in arriving at operating profit relate to continuing operations.

AINTREE RACECOURSE COMPANY LIMITED

BALANCE SHEET 31 December 1998

	Note	£	1998 £	£	1997 £
FIXED ASSETS					
Intangible assets	8	-		66,667	
Tangible assets	9	13,167,567		8,131,812	
Investment	10	15,282		9,267	
			13,182,849		8,207,746
CURRENT ASSETS					
Stock	11	5,642		3,931	
Debtors	12	419,099		1,634,253	
Amount due from Racecourse Holdings Trust due beyond one year		1,319,724		1,143,297	
Cash at bank and in hand		706,765		914,396	
		2,451,230		3,695,877	
CREDITORS: amounts falling due within one year	13	(2,490,809)		(2,433,883)	
NET CURRENT (LIABILITIES)/ASSETS			(39,579)		1,261,994
TOTAL ASSETS LESS CURRENT LIABILITIES			13,143,270		9,469,740
CREDITORS: amounts falling due after more than one year	14	(3,088,630)		(2,955,403)	
PROVISIONS FOR LIABILITIES AND CHARGES	15	(360,000)		(240,000)	
			9,694,640		6,274,337
GRANT ACCOUNT CAPITAL AND RESERVES	1,16		6,205,883		3,397,519
Called up share capital	17		100		100
Grant Reserve	18		693,478		584,269
Profit and loss account	18		2,795,179		2,292,449
Equity shareholders' funds			3,488,757		2,876,818
	19		9,694,640		6,274,337

These financial statements were approved by the Board of Directors on 9 April 1999
Signed on behalf of the Board of Directors

LORD DARESBUY)
) Directors
C H BARNETT)

Daresbury
C H Barnett

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents income receivable (excluding VAT) in respect of the principal activities of the company of managing and operating the racecourse and its facilities. Turnover arises wholly within the United Kingdom.

Intangible fixed assets

The intangible asset represents a management agreement under with Aintree Racecourse Company Limited has the right to run the Grand National for 999 years from 1983. The cost of acquiring the agreement is being amortised in equal annual instalments over 15 years.

Tangible fixed assets

Depreciation is not provided on freehold land. On other assets it is provided on cost in equal annual instalments over the estimated lives of the assets as follows:

Buildings	2% - 5% per annum
Motor vehicles	25% per annum
Plant and equipment	15% - 20% per annum

Assets in the course of construction are not depreciated until they are brought into use

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Stocks

Stocks are stated at the lower of cost (purchase price) and net realisable value.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Capital Grants

Capital grants 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 instalments over a period of 30 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.

Other contributions towards capital projects are also credited to the capital grant account and released to the profit and loss account over a period of 30 years.

Government grants

Capital government development grants received are taken to revenue over the life of the relevant tangible assets. Government grants received to assist in the payment of repairs and maintenance expenditure are matched to those costs in the period they are incurred and recognised in the profit and loss account.

NOTES TO THE ACCOUNTS

Year ended 31 December 1998

1. ACCOUNTING POLICIES (continued)

Prize money grants and fixture fees

Prize money grants and fixture fees from the HBLB and contributions from sponsors in the form of revenue grants are deducted from expenditure.

Pensions

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the Scheme, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Assets held under finance leases are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the leases in proportion to the capital outstanding.

Cash flow statement

The company is not presenting a cash flow statement. It is taking advantage of the exemptions contained in Financial Reporting Standard No.1 (Revised 1996) as the parent company, Racecourse Holdings Trust Limited, has included a consolidated cash flow statement in its group accounts.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1998 £	1997 £
Directors' emoluments (excluding pension contributions)	<u>75,537</u>	<u>58,911</u>
	No	No
Directors who are members of a defined benefit pension scheme	<u>1</u>	<u>1</u>
	£	£
Employee costs during the year		
Permanent employees		
Wages and salaries	587,958	499,946
Social security costs	56,468	41,974
Other pension costs	44,815	57,108
	<u>689,241</u>	<u>599,028</u>
Raceday employees		
Wages and salaries	26,021	28,199
Social security costs	890	1,583
	<u>26,911</u>	<u>29,782</u>
Total employee costs	<u><u>716,152</u></u>	<u><u>628,810</u></u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1998

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	1998 No.	1997 No.
Average number of employees (full time equivalents)		
Administration and maintenance	40	34
Raceday	7	8
	<u>47</u>	<u>42</u>

3. OTHER OPERATING INCOME

	1998 £	1997 £
Income from investments	<u>76,145</u>	<u>9,141</u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	1998 £	1997 £
Money market interest	<u>74,461</u>	<u>77,176</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £	1997 £
Bank loans, overdrafts and other loans repayable within five years	60,000	-
Finance leases	<u>2,170</u>	<u>2,206</u>
	<u>62,170</u>	<u>2,206</u>

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998 £	1997 £
Profit on ordinary activities before taxation is after charging/(crediting):		
Depreciation		
Owned assets	294,611	199,487
Leased assets	10,332	10,854
Amortisation of intangible assets	66,667	66,666
Rentals under operating leases	39,866	30,830
Auditors' remuneration:		
Audit fee	7,500	8,800
Other services	6,400	6,876
Amortisation of capital grants	(109,209)	(100,600)
(Profit)/loss on sale of fixed assets (excluding land)	<u>(4,218)</u>	<u>3,395</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1998

7. TAXATION CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
United Kingdom corporation tax at 31% (1997 - 31.5%) based on the profit for the year	197,000	460,000
Deferred taxation	120,000	(10,000)
Tax credit on investment income	15,229	1,828
	<u>332,229</u>	<u>451,828</u>
Adjustments in respect of prior years		
Corporation tax	(111,000)	(10,337)
	<u>221,229</u>	<u>441,491</u>

The tax charge is higher than expected due to expenditure not qualifying for tax relief and the non equalisation of fixed asset and other timing differences through deferred tax.

8. INTANGIBLE FIXED ASSETS

This represents the management agreement under which Aintree Racecourse Company Limited has the right to run the Grand National as referred to in note 1.

	£
Cost	
At 1 January 1998 and 31 December 1998	<u>1,000,000</u>
Amortisation	
At 1 January 1998	933,333
Provision for year	66,667
	<u>1,000,000</u>
Net book value	
At 31 December 1998	<u>-</u>
At 31 December 1997	<u>66,667</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

9. TANGIBLE FIXED ASSETS

	Assets under Construction £	Land and buildings £	Motor vehicles £	Plant and equipment £	Total £
Cost					
At 1 January 1998	3,505,379	5,250,573	79,414	635,727	9,471,093
Additions	5,261,125	5,000	27,750	54,910	5,348,785
Transfers	(8,576,035)	8,576,035	-	-	-
Disposals	-	-	(9,795)	(22,945)	(32,740)
At 31 December 1998	<u>190,469</u>	<u>13,831,608</u>	<u>97,369</u>	<u>667,692</u>	<u>14,787,138</u>
Accumulated depreciation					
At 1 January 1998	-	855,180	64,466	419,635	1,339,281
Provisions	-	224,359	11,987	68,597	304,943
Disposals	-	-	(9,795)	(14,858)	(24,653)
At 31 December 1998	<u>-</u>	<u>1,079,539</u>	<u>66,658</u>	<u>473,374</u>	<u>1,619,571</u>
Net book value					
At 31 December 1998	<u>190,469</u>	<u>12,752,069</u>	<u>30,711</u>	<u>194,318</u>	<u>13,167,567</u>
At 31 December 1997	<u>3,505,379</u>	<u>4,395,393</u>	<u>14,948</u>	<u>216,092</u>	<u>8,131,812</u>

In 1997, the company recognised a profit on sale of land of £865,196 relating to the sale of the County Car Park. The calculation of this profit included an accounting estimate of all future committed costs to be incurred. These costs were underestimated by £112,639 and are disclosed as a loss on sale of land in 1998 and are included within the profit on ordinary activities before tax of £833,168.

The net book value of the company's fixed assets includes £18,850 (1997 - £29,182) in respect of assets held under finance leases and hire purchase contracts.

10. INVESTMENTS

	1998 £	1997 £
Unlisted investment at cost	19	19
Artefacts	<u>15,263</u>	<u>9,248</u>
	<u>15,282</u>	<u>9,267</u>

The unlisted investments represent a 0.95% (1997 - 0.95%) holding of 208 (1997 - 208) 10p ordinary shares in Satellite Information Services Limited, a company formed during 1987 incorporated in England & Wales to provide live viewing in betting shops. The shares are held by the Racecourse Association as trustee for the company and are stated at cost.

AINTREE RACECOURSE COMPANY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 1998

11. STOCKS

	1998 £	1997 £
Finished goods and goods for resale	5,642	3,931

12. DEBTORS

	1998 £	1997 £
Trade debtors	112,316	65,821
Amounts due from group companies	3,876	523
Other debtors	208,801	1,479,836
Prepayments and accrued income	94,106	88,073
	<u>419,099</u>	<u>1,634,253</u>

13. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Bank overdraft	2,780	-
HBLB loans (note 14)	575,000	307,000
Obligations under finance leases	7,639	12,498
Trade creditors	354,446	196,666
Amounts due to group companies	62,873	2,519
Corporation tax	96,337	449,663
Other tax and social security	16,019	12,342
Other creditors	405,160	391,524
Accruals and deferred income	970,555	1,061,671
	<u>2,490,809</u>	<u>2,433,883</u>

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

	1998 £	1997 £
HBLB loans - (note 14)	2,202,000	2,777,000
Obligations under finance leases	-	7,638
Other creditors	-	39,724
Government grants	886,630	81,041
Deferred income	-	50,000
	<u>3,088,630</u>	<u>2,955,403</u>

AINTREE RACECOURSE COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1998

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

	1998 HBLB loans £	Finance leases £	1997 HBLB loans £	Finance leases £
Repayable within one year	575,000	7,638	307,000	12,498
Repayable between one and two years	550,000	-	575,000	7,638
Repayable between two and five years	1,652,000	-	1,702,000	-
Repayable after five years	-	-	500,000	-
	<u>2,777,000</u>	<u>7,638</u>	<u>3,084,000</u>	<u>20,136</u>
Less: amounts falling due within one year	<u>(575,000)</u>	<u>(7,638)</u>	<u>(307,000)</u>	<u>(12,498)</u>
	<u>2,202,000</u>	<u>-</u>	<u>2,777,000</u>	<u>7,638</u>

The company has negotiated interest free loans from the Horserace Betting Levy Board to finance the cost of the management agreement to run the Grand National and for the development of the racecourse. The loans are repayable as follows:

Horserace Betting Levy Board Loans

Amount outstanding	£732,000	Repayable by annual instalments over 10 years commencing 1 April 1992.
Amount outstanding	£20,000	Repayable by annual instalments over 5 years commencing 1 May 1995.
Amount outstanding	£25,000	Repayable by annual instalments over 5 years commencing 1 December 1995
Amount outstanding	£2,000,000	Repayable by annual instalments over 5 years commencing 1 May 1999

15. PROVISIONS FOR LIABILITIES AND CHARGES - DEFERRED TAX

Deferred tax movement for the year:

	£
Balance of provision at 1 January 1998	240,000
Credit in current year	<u>120,000</u>
Balance of provision at 31 December 1998	<u>360,000</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1998

15. PROVISIONS FOR LIABILITIES AND CHARGES - DEFERRED TAX (continued)

The amount of deferred taxation provided and unprovided in the accounts are:

	Provided 1998 £	Provided 1997 £	Not Provided 1998 £	Not provided 1997 £
Capital allowances in excess of depreciation	360,000	239,000	238,000	234,000
Capital gains rolled over	-	-	294,000	240,000
Other timing differences	-	1,000	-	-
	<u>360,000</u>	<u>240,000</u>	<u>532,000</u>	<u>474,000</u>

16. GRANT ACCOUNT

	1998 £	1997 £
Grant Account:		
Balance at 1 January	3,397,519	2,285,208
Capital grants received in the year	2,917,573	1,212,911
Capital grants credited to the profit and loss account	(109,209)	(100,600)
Balance at 31 December	<u>6,205,883</u>	<u>3,397,519</u>

Capital grants received include £900,000 (1997 : £Nil) from third parties.

17. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised, allotted and fully paid: 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

18. MOVEMENT ON RESERVES

	Grant reserve £	Profit and loss account £
Balance at 1 January 1998	584,269	2,292,449
Retained profit for the year	-	611,939
Transfer from the profit and loss account of an amount equal to HBLB credits made from the grant account	109,209	(109,209)
Balance at 31 December 1998	<u>693,478</u>	<u>2,795,179</u>

AINTREE RACECOURSE COMPANY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 1998

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit attributable to members of the company	611,939	1,484,171
Net addition to shareholders' funds	611,939	1,484,171
Opening shareholders' funds	2,876,818	1,392,647
Closing shareholders' funds	<u>3,488,757</u>	<u>2,876,818</u>

20. CAPITAL COMMITMENTS

	1998 £	1997 £
Contracted for but not provided in the financial statements	<u>-</u>	<u>2,903,000</u>

21. OPERATING LEASE COMMITMENTS

At 31 December 1998 the company was committed to making the following payments during the next year in respect of operating leases:

	1998 Other £	1997 Other £
Leases which expire:		
Within one year	12,015	-
Within 2 to 5 years	115,056	37,849
	<u>127,071</u>	<u>37,849</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

22. PENSION SCHEME

All group companies operated a contributory pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group, being invested in the Provident Mutual Diversified Funds, Mercury Asset Management's Managed Fund Service and through London and Manchester (Managed Funds) Limited. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was as at 1 April 1997. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, the salary increases would average 7% per annum and that present and future pensions would increase at the rate of 5% per annum. The pension charge for this scheme for the year was £44,815 (1997 - £57,108).

The actuarial valuation as at 1 April 1997 showed that the market value of the scheme's assets was £6,665,985 and that the actuarial value of those assets represented 115% of the benefits that had accrued to members at that date, after allowing for expected future increases in earnings. The contributions of the company have been maintained at 13.5% of earnings until 31 January 1998 reducing thereafter to 10% of earnings and retained at 3% of earnings for employees where applicable.

23. ULTIMATE PARENT COMPANY

The company's ultimate parent company is The Jockey Club, a company incorporated in the United Kingdom by Royal Charter and registered in England and Wales. The Jockey Club does not prepare group accounts. The smallest group of which the company is a member and for which group accounts are prepared is headed by Racecourse Holdings Trust Limited, a company registered in England and Wales. Copies of its group accounts are available from its registered office at 42 Portman Square, London W1H 0EN

The company's immediate parent company is Racecourse Investments Limited, a company registered in England and Wales.

The company has taken advantage of the exemption included in Financial Reporting Standard No. 8 from the requirement to disclose transactions within the group.