

Dunstall Park Centre Limited

Directors' report and financial statements

31 December 1997

Registered number 2159607



Financial statements

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Directors' report

The directors submit their report and the audited financial statements for the year ended 31 December 1997.

Principal activity

The principal activity of the company is that of operator of Wolverhampton Racecourse, West Midlands, a leisure complex embracing a racecourse, conference and exhibition centre and hotel.

Review of the business operations and results

The directors are pleased to report an increase in turnover of 20% for the year and are of the opinion that the overall results for the year are satisfactory. The directors do not recommend the payment of a dividend and the profit for the year has been transferred to reserves.

The directors have further considered the value of the tangible fixed assets and the rate of depreciation applied thereto and have concluded that the change in market conditions has been such as to make the adoption of a depreciated 1994 independent valuation upon which the 1996 financial statements were based no longer the most prudent basis upon which the tangible fixed assets should be valued.

The directors have had regard also to the indications of interest which have been shown during the year by others in the industry and in the media and have concluded that both the value and the rate of depreciation of the all-weather track in particular and of the tangible fixed assets in general needs revision.

The revisions which the directors have made and which in their opinion are reasonable and prudent are reflected in the results and explained in the note to the financial statements.

Directors

The directors who served during the year, and their holdings in the shares of the company, were as follows:

	Ordinary shares	
	1997	1996
RA Muddle	1	1
RJ Muddle	-	-
Brigadier A Parker Bowles	-	-
WA Parker	-	-
GT Lowndes - appointed 1 January 1997	-	-

The interests of the directors in the shares of the parent company are shown in the directors' report of that company.

Directors' report *(continued)*

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors to the company will be proposed at the forthcoming Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'RA Muddle', written over a horizontal line.

RA Muddle
Director

Registered Office:

Dunstall Park
Gorsebrook Road
Wolverhampton
WV6 0PE

25 September 1998

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;
- prepare the financial statements on a 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.



St Nicholas House
Park Row
Nottingham
NG1 6FQ

Report of the auditors to the members of Dunstall Park Centre Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

As described on page 3, 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

25 September 1998

A handwritten signature in dark ink, appearing to be 'KPMG' or similar, written in a cursive style.

*Chartered Accountants
Registered Auditors*

Profit and loss account
for the year ended 31 December 1997

	<i>Notes</i>	1997 £	1996 £
Turnover	3	2,830,703	2,358,622
Cost of sales		(1,596,281)	(1,482,415)
Gross profit		1,234,422	876,207
Administrative expenses - other		(915,461)	(644,275)
Administrative expenses - exceptional items	4	2,768,193	-
		1,852,732	(644,275)
Operating profit		3,087,154	231,932
Income from fixed asset investment	2	20,687	16,208
Interest payable and similar charges	5	(159,434)	(175,771)
Profit on ordinary activities before taxation	6	2,948,407	72,369
Tax on profit on ordinary activities	8	-	-
Profit for the financial year	17	2,948,407	72,369

In both the current and preceding years, the company made no material acquisitions and had no discontinued operations.

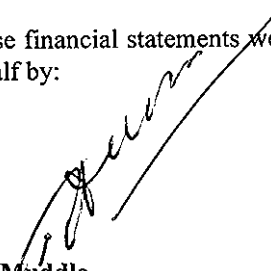
In both the current and preceding years, there was no material difference between the profit reported in the profit and loss account and the profit on an unmodified historical cost basis.

There were no recognised gains or losses in either the current or preceding years other than those disclosed in the profit and loss account.

Balance sheet
at 31 December 1997

	Notes	£	1997 £	£	1996 £
Fixed assets					
Tangible assets	9		12,490,306		8,608,884
Investments	10		208,350		194,700
			<u>12,698,656</u>		<u>8,803,584</u>
Current assets					
Stocks	11	22,041		14,752	
Debtors	12	1,960,043		2,001,062	
Cash at bank and in hand		3,720		4,617	
			<u>1,985,804</u>	<u>2,020,431</u>	
Creditors: amounts falling due within one year	13	(4,982,490)		(4,598,757)	
Net current liabilities			<u>(2,996,686)</u>		<u>(2,578,326)</u>
Total assets less current liabilities			9,701,970		6,225,258
Creditors: amounts falling due after more than one year	14		<u>(2,815,897)</u>		<u>(3,160,500)</u>
Net assets			<u>6,886,073</u>		<u>3,064,758</u>
			<u><u>6,886,073</u></u>		<u><u>3,064,758</u></u>
Accruals and deferred income	15		6,608,663		5,735,755
Capital and reserves					
Called up share capital	16	100		100	
Profit and loss account	17	277,310		(2,671,097)	
			<u>277,410</u>		<u>(2,670,997)</u>
Equity shareholders' funds	18		<u>277,410</u>		<u>(2,670,997)</u>
			<u>6,886,073</u>		<u>3,064,758</u>
			<u><u>6,886,073</u></u>		<u><u>3,064,758</u></u>

These financial statements were approved by the board of directors on 25 September 1998 and were signed on its behalf by:


RA Muddle
Director

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 to be material in relation to the company's financial statements.

Basis of accounting

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

Going concern

The financial statements have been prepared on a going concern basis which assumes the ongoing support of the parent undertaking.

Cash flow statement

Under Financial Reporting Standard Number 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking of R.A.M. Racing Leisure Limited and its cash flows are included within the consolidated cash flow statement of that company.

Tangible fixed assets

The rates of depreciation on freehold buildings, the all weather track, flood lights and equipment have been changed during the year as indicated below. This has been done to provide a fairer reflection of the useful economic lives of those assets. The effect of this change is shown in note 4.

No depreciation is provided on freehold properties. It is the company's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time. Accordingly, the directors consider that the lives and residual values, based on prices prevailing at the time of the acquisition or subsequent valuation, of these assets are such that any depreciation would be insignificant.

Depreciation is provided by the company to write off the cost of tangible fixed assets over their estimated useful lives as follows:

	Current rate	Previous rate
Freehold buildings	- nil	equally over forty years
Flood lights	- equally over fifteen years on cost	equally over ten years
All weather track	- equally over twenty years on cost	equally over seven years
Plant and equipment	- 10% on cost	15% on a reducing balance basis
Hotel fixtures	- 25% on cost (included under plant and equipment in note 8)	Unchanged
Motor vehicles	- 25% on cost	Unchanged

Freehold land is not depreciated (unchanged from the previous year).

Notes (continued)

1 Accounting policies (continued)

Turnover

Turnover represents the amounts received by the company for goods and services provided during the year from its racing and other activities, excluding value added tax.

Deferred taxation

Deferred tax is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

Grants

Capital based grants are included within capital grants in the balance sheet and credited to trading profit over the estimated useful economic lives of the assets to which they relate.

2 Income from fixed asset investments

	1997 £	1996 £
Dividends received and receivable from unlisted investments	20,687	16,208
	<u>20,687</u>	<u>16,208</u>

3 Segmental information

	1997 £	1996 £
Turnover		
Racecourse operations	2,505,580	1,985,784
Other operations	325,123	372,838
	<u>2,830,703</u>	<u>2,358,622</u>

4 Exceptional items

Revaluation

In 1994 the directors made provisions against the carrying value of fixed assets to reflect conditions which, at the time, were reasonably anticipated to give rise to a permanent diminution in asset values.

During the year the directors have re-appraised the carrying value of certain fixed assets in the light of current economic conditions. To the extent that any increase in value reflects an amount written off to the profit and loss account in 1994 that amount has been credited to profit and loss in the current year. The amount credited to the profit and loss account in the current year is £2,890,742 (see below).

Notes (continued)

4 Exceptional items (continued)

Change in depreciation rates

The depreciation methods and expected useful lives of certain assets were re-assessed during the year. It is considered that a material distortion would affect future results if this change was effected by writing down the present balances over the remaining useful lives. Therefore, under the provisions of SSAP 12, depreciation has been recalculated from the dates of acquisition of the assets and the total change credited to the profit and loss account as an exceptional item. The amortisation of grants associated with these assets has also been amended accordingly.

The result is therefore:

	1997 £	1996 £
Revaluation	2,890,742	-
Effect on depreciation due to above	963,185	-
Effect on amortisation of grants due to above	(1,085,734)	-
	<u>2,768,193</u>	<u>-</u>

5 Interest payable and similar charges

	1997 £	1996 £
On bank loans and overdrafts	159,434	175,771
	<u>159,434</u>	<u>175,771</u>

6 Profit on ordinary activities before taxation

	£	£
<i>Profit on ordinary activities before taxation is stated after charging/(crediting) the following:</i>		
Auditors' remuneration	6,300	6,300
Depreciation of tangible fixed assets	(339,363)	680,870
Amortisation of capital credits and grants	672,174	(565,492)
	<u>6,300</u>	<u>680,870</u>

7 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows:

	Number	Number
Office and management	5	4
Racecourse operation	32	34
Other	39	29
	<u>76</u>	<u>67</u>

Notes (continued)

7 Staff numbers and costs (continued)

	1997 £	1996 £
<i>The aggregate payroll costs of these persons were as follows:</i>		
Wages and salaries	593,482	386,138
Social security costs	43,777	26,856
	<u>637,259</u>	<u>412,994</u>
	£	£
<i>Directors' emoluments</i>		
Remuneration	40,340	25,000
Social security costs	2,310	1,786
	<u>42,650</u>	<u>26,786</u>

8 Tax on profit on ordinary activities

There is no tax charge in the current or preceding years.

9 Tangible fixed assets

	All weather track £	Freehold land and buildings £	Flood lights £	Plant and equipment £	Motor vehicles £	Total £
<i>Cost or valuation:</i>						
At 1 January 1997	780,000	6,110,215	578,870	2,714,645	60,829	10,244,559
Additions	-	512,923	-	133,492	12,775	659,190
Disposals	-	-	-	(15,640)	-	(15,640)
Directors' revaluation	532,500	2,326,862	443,857	-	-	3,303,219
At 31 December 1997	<u>1,312,500</u>	<u>8,950,000</u>	<u>1,022,727</u>	<u>2,832,497</u>	<u>73,604</u>	<u>14,191,328</u>
<i>Depreciation:</i>						
At 1 January 1997	267,431	212,546	130,246	986,040	39,412	1,635,675
Charged/(credited) in year	(186,344)	(340,535)	39,406	129,709	18,401	(339,363)
Disposals	-	-	-	(7,767)	-	(7,767)
Directors' revaluation	181,413	127,989	103,075	-	-	412,477
At 31 December 1997	<u>262,500</u>	<u>-</u>	<u>272,727</u>	<u>1,107,982</u>	<u>57,813</u>	<u>1,701,022</u>
<i>Net book value:</i>						
At 31 December 1997	<u>1,050,000</u>	<u>8,950,000</u>	<u>750,000</u>	<u>1,724,515</u>	<u>15,791</u>	<u>12,490,306</u>
At 31 December 1996	<u>512,569</u>	<u>5,897,669</u>	<u>448,624</u>	<u>1,728,605</u>	<u>21,417</u>	<u>8,608,884</u>

Freehold land and buildings are not depreciated.

Included with the total net book value of plant and equipment is £29,325 (1996: £8,925) held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £5,175 (1996: £1,575).

Notes (continued)

10 Fixed asset investments

	£	£
Shares held in Satellite Information Services Limited at cost as at 1 January 1997 and 31 December 1997		194,700
<i>Racehorses at cost</i>		
At 1 January 1997	-	
Transfer from group undertakings	11,955	
Acquisitions	12,323	
Disposals	(10,628)	
	<u> </u>	13,650
At 31 December 1997		<u><u>208,350</u></u>

11 Stocks

	1997 £	1996 £
Finished goods and goods for resale	22,041	14,752
	<u> </u>	<u> </u>

12 Debtors

	£	£
Trade debtors	200,659	141,324
Amounts owed by group undertakings	1,549,356	1,568,221
Other debtors	177,949	224,305
Corporation tax	8,619	5,214
Prepayments and accrued income	23,460	61,998
	<u> </u>	<u> </u>
	1,960,043	2,001,062
	<u> </u>	<u> </u>

Included in debtors is an amount of £15,714 (1996: £1,944) relating to directors' loan accounts.

13 Creditors: amounts falling due within one year

	£	£
Bank loans and overdraft	835,771	859,375
Horserace Betting Levy Board loan	200,000	200,000
Other loans	-	3,112
Obligations under hire purchase contracts	5,397	3,245
Trade creditors	319,758	184,919
Amounts owed to group undertakings	3,395,935	3,154,417
Other taxation and social security costs	17,809	12,409
Other creditors	207,820	181,280
	<u> </u>	<u> </u>
	4,982,490	4,598,757
	<u> </u>	<u> </u>

Notes (continued)

14 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Bank loan	1,510,500	1,760,500
Horserace Betting Levy Board loan	1,300,000	1,400,000
Obligations under hire purchase contracts	5,397	-
	<u>2,815,897</u>	<u>3,160,500</u>
<i>The bank loan is repayable in instalments as follows:</i>		
	£	£
Within two to five years	1,000,000	1,000,000
After five years	510,500	760,500
	<u>1,510,500</u>	<u>1,760,500</u>

The bank overdraft and loan are secured by a fixed charge over the freehold land. The bank loan is repayable in monthly instalments and interest is applied at 2% above the base rate.

The Horserace Betting Levy Board has provided interest free loans to the company, secured on the floating assets. The loans are repayable in equal instalments over ten years. The amount of the loan due after five years is £400,000 (1996: £600,000).

15 Accruals and deferred income

	1997 £	1996 £
Capital credits	3,271,915	2,737,957
- Repayable if the property ceases to be used as a racecourse		
Department of Environment grants	2,903,158	2,596,046
- Repayable under certain circumstances		
Sundry capital grant contributions		
Tote	147,133	135,900
Ladbrokes	50,000	46,180
City Challenge	236,457	219,672
- Ladbrokes and City Challenge are refundable in certain circumstances		
- Tote is non-refundable		
	<u>3,336,748</u>	<u>2,997,798</u>
	<u>6,608,663</u>	<u>5,735,755</u>
<i>to be amortised</i>		
	£	£
Within one year	134,733	408,263
Within two to five years	538,932	1,441,989
After more than five years	5,934,998	3,885,503
	<u>6,608,663</u>	<u>5,735,755</u>

Notes *(continued)*

16 Called up share capital

	1997 £	1996 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

17 Profit and loss

	£	£
At 1 January	(2,671,097)	(2,743,466)
Profit for the year	2,948,407	72,369
	<u> </u>	<u> </u>
At 31 December	277,310	(2,671,097)
	<u> </u>	<u> </u>

18 Reconciliation of movements in shareholders' funds

	£	£
Profit for the financial year	2,948,407	72,369
	<u> </u>	<u> </u>
Net additions to shareholders' funds	2,948,407	72,369
Opening shareholders' funds	(2,670,997)	(2,743,366)
	<u> </u>	<u> </u>
Closing shareholders' funds	277,410	(2,670,997)
	<u> </u>	<u> </u>

19 Deferred tax

As at the year end there was a deferred tax asset and therefore no provision for deferred tax is required.

20 Capital commitments

There were no capital commitments at 31 December 1997 (1996: £nil).

21 Contingent liabilities

The company has guaranteed the bank borrowings of its parent company and fellow subsidiary undertakings.

Notes *(continued)*

22 Related party transactions

As the company is a wholly owned subsidiary of R.A.M. Racing Leisure Limited the company has taken advantage of the exemption contained within Financial Reporting Standard Number 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of R.A.M. Racing Leisure Limited, within which this company is included can be obtained from the address given in note 23.

23 Ultimate holding company

The ultimate holding company is R.A.M. Racing Leisure Limited, which is incorporated in Great Britain. A copy of the financial statements can be obtained from the company's registered office, Dunstall Park, Gorsebrook Road, Wolverhampton WV6 0PE.