

Company Registration No. 0118752 (England and Wales)

NEWMARKET INVESTMENTS PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

NEWMARKET INVESTMENTS PLC

COMPANY INFORMATION

| | |
|--------------------------|---|
| Directors | J P Carrington M A Gadsby Peet P J Reid (Resigned 20 February 2008) J B Cohen (Appointed 20 February 2008) |
| Secretary | Manchester Square Registrars Limited |
| Company number | 0118752 |
| Registered office | 25 Manchester Square London W1U 3PY |
| Auditors | Grant Thornton UK LLP No.1 Dorset Street Southampton SO15 2DP |
| Bankers | Barclays Bank Plc 58 High Street Newmarket Suffolk CB8 8NH |

NEWMARKET INVESTMENTS PLC

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NEWMARKET INVESTMENTS PLC

CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 MARCH 2007

Since January 2006, the Board has remained committed to returning the Company to a position of prominence in its traditional world of the Turf.

The financial information for the year ended 31 March 2007 indicates continuing improvement in the operating business of BBA Insurance Services Limited ("BBAIS") delivering an operating loss of £264,000 compared to the 2006 loss of £576,000.

As was mentioned in the interim report, the Board continues to identify acquisition opportunities to enhance the existing businesses of the Company.

Acquisitions

Since the year end, the Company has made one acquisition. On 23 May 2007, the Company announced the acquisition of Equine Risk Management Ltd ("ERM"), a specialist insurance company focused on show jumpers and eventers, which compliments the existing BBAIS thoroughbred insurance business. The purchase price for ERM was £75,000, plus costs. This acquisition is in line with the Company's 'buy and build' strategy within the horse industry and consolidates and strengthens the growth in the sector.

In addition to growing BBAIS's traditional services, your Board is also intent on building on the brand value of the British Bloodstock Agency name. A key challenge over the past six months and during the next year is to continue to integrate acquired businesses into one coherent operation and build on existing brands.

The Company is also pleased to announce that it has conditionally agreed to acquire the entire share capital of the International Racing Bureau Ltd ("IRB") for a price of £850,000 to be satisfied by the cash payment of £425,000 and the issue of 42,500,000 new ordinary shares at a price of 1p each. IRB is a leading source and provider of global horse racing data and also an adviser to race courses and meets worldwide for the involvement of foreign race entries. This acquisition strengthens the Boards resolve of re-establishing the Company as a recognised participant in the horse racing world.

The Board believes IRB is capable of significant growth which may be achieved through the development of supplementary revenue, specifically in the areas of sponsorship and media rights, where IRB is well positioned to capture and grow its customer base.

Your Board also believes that IRB is well equipped to play a leading role in the introduction and development of horse racing activities in emerging markets, particularly in Eastern Europe and the Far East.

Fund raising

The Company has conditionally raised £1,315,000 (before expenses) through Ellis Stockbrokers Limited, by the placing and open offer of 131,500,000 new ordinary shares to institutional and other investors in connection with the proposed placing.

The fundraising constitutes a placing of £851,250 and an open offer to existing shareholders of £463,750. The open offer has been fully underwritten by Ellis Stockbroker Limited. The fundraising satisfies the cash element of the IRB acquisition and allows the Company to continue with its organic growth.

The Placing and Open Offer is conditional, inter alia, upon shareholder approval at the General Meeting of Shareholders which has been convened for 17 March 2008.

NEWMARKET INVESTMENTS PLC

CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 MARCH 2007

Property Acquisition

The Company has agreed to acquire one occupied commercial property to be satisfied by the issue of 35,250,000 new ordinary shares at a price of 1p per share. This asset purchase strengthens the Company's balance sheet position. It is envisaged that this property will be sold to provide further additional working capital for the development of the Company. The vendors of this property will become substantial shareholders in the enlarged group and are already identifying potential opportunities in the equine industry to further the growth of the Company. It is your Board's intention to pursue these and other opportunities as soon as these financing and acquisition proposals have been approved by shareholders.

The Company has also entered into heads of agreement to acquire the freehold of another property which is conditional on the approval of the current occupants of the property pursuant to the Landlord and Tenant Act 1987.

Share capital reorganisation

The Company is proposing to subdivide and convert each issued and unissued ordinary share of 1p into 1 new ordinary share of 0.01p each and 1 new deferred share of 0.99p each. Each new ordinary share will have the same rights (including voting and dividend rights and rights on a return of capital) as each existing ordinary share prior to the share capital reorganisation. The new deferred shares will have the same rights as the existing deferred shares (save that on a return of capital the holders of the new deferred shares will be entitled to receive 0.99p per share). The rights attaching to the new deferred shares will render them effectively worthless and it is intended that they will be cancelled and an appropriate reserve created in due course. The share capital reorganisation will not affect the Company's or the Group's net assets.

Full details of the transactions mentioned above are set out in the circular to shareholders' that accompanies these accounts.

Board Changes

During the period Piers Pottinger, Shane Moloney and Philip Reid stepped down from the Board. I would like to express my thanks to them for their contribution to the Company.

Conclusion

The Company continues to deliver its original strategy of building an equine group with sustainable revenues and improving returns for shareholders.

We are confident that, by combining an integration plan with an ongoing buy and build strategy, Newmarket Investments can continue to grow organic sales and complete new acquisitions.

On behalf of the board I would like to thank the executive team and staff for their contribution and hard work over the past 12 months which has been greatly appreciated.

John Carrington
Chairman

NEWMARKET INVESTMENTS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2007

The directors present their report and financial statements for the year ended 31 March 2007.

Principal activities and review of the business

The principal activity of the Group is investment in leisure related businesses. The British Bloodstock Agency (U.K.) Limited acts as a broker for nominations to stallions and as a syndicate manager in the thoroughbred racing business. BBA Insurance Services Limited acts as a broker for bloodstock insurance products.

A review of the Group's progress during the year and an indication of likely future developments are provided in the Chairman's report.

Results and dividends

The results for the year are set out on page 8.

The directors do not recommend payment of an ordinary dividend.

Risks and uncertainties

The Directors consider that the Group is exposed to the following risks and uncertainties.

- as the business develops, the Group will require more capital to invest and there can be no guarantee that investors will support such a fundraising. If the Group is unable to raise money then planned expansion will need to be curtailed.

- the loss of key personnel would affect the Group.

As explained in the Chairman's Report, the short term risk for fundraising has been reduced by the underwriting of the Placing and Open Offer of £1.5 million, before expenses.

Post balance sheet events

On 23 May 2007, the Company announced the acquisition of Equine Risk Management Ltd ("ERM"), a specialist insurance company focused on show jumpers and eventers, which compliments the existing BBAIS thoroughbred insurance business. The purchase price for ERM was £75,000, plus costs.

Directors

The following directors have held office since 1 April 2006:

| | |
|-----------------|---|
| J P Carrington | |
| M A Gadsby Peet | |
| P J Reid | (Resigned 20 February 2008) |
| S Moloney | (Appointed 14 September 2006 and resigned 3 October 2007) |
| P J D Pottinger | (Resigned 6 September 2006) |
| J B Cohen | (Appointed 20 February 2008) |

P Reid retires by rotation and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

Directors' interests

The directors' interests in the shares of the company were as stated below:

| | Ordinary shares of 25p each | |
|-----------------|-----------------------------|--------------|
| | 31 March 2007 | 1 April 2006 |
| P J Reid | - | - |
| M A Gadsby Peet | - | - |
| S Moloney | - | - |
| J P Carrington | - | - |

| | Ordinary shares of 1p each | |
|-----------------|----------------------------|--------------|
| | 31 March 2007 | 1 April 2006 |
| P J Reid | - | - |
| M A Gadsby Peet | - | - |
| S Moloney | - | - |
| J P Carrington | 131,550 | 131,550 |

NEWMARKET INVESTMENTS PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

| | Deferred shares of 24p each | |
|-----------------|-----------------------------|--------------|
| | 31 March 2007 | 1 April 2006 |
| P J Reid | - | - |
| M A Gadsby Peet | - | - |
| S Moloney | - | - |
| J P Carrington | 131,550 | 131,550 |

At the year end, none of the directors had been granted options.

The market price of the Company's shares on 31 March 2007 was 3p and the high and low share prices during the period covered by these accounts were 19p and 2.75p respectively.

Creditor payment policy

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with. The creditor days ratio for the year was 163 (2006 - 76).

Going concern

As explained in the Chairman's Report, the Company is raising £1.5 million (before expenses) through a Placing and an Open Offer, which has been underwritten.

The Directors confirm that following the fund raising, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the financial statements.

Financial risk management objectives and policies

The Group uses various financial instruments. These include loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

An analysis of the Group's financial assets and liabilities (excluding short term trade debtors and trade creditors), together with the associated financial risks, are set out in note 22.

The main risks arising from the Group's financial instruments are market risk, cash flow interest rate risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Market risk

Market risk encompasses three types of risk being currency risk, fair value interest rate risk and price risk. The Group's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the section entitled "interest rate risk" below.

Currency risk

The Group's sales are invoiced in sterling. The Directors continually monitor currency exposure.

Liquidity risk

The Group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. All cash balances are immediately accessible. All liabilities are due within the year. In addition, the Company has utilised the Convertible Loans to assist with its working capital requirements.

NEWMARKET INVESTMENTS PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

Interest rate risk

The Group finances its operations through a mixture of loans, bank borrowings and equity. The Group's exposure to interest rate fluctuations on its borrowings is managed by the use of floating facilities and fixed interest loans.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Grant Thornton UK LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable 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 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;
- 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 enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Statement of disclosure to auditor

In so far as the directors are aware:

- (a) there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

M A Gadsby Peet

Director

20 February 2008

NEWMARKET INVESTMENTS PLC

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF NEWMARKET INVESTMENTS PLC

We have audited the group and parent company financial statements (the "financial statements") of Newmarket Investments plc for the year ended 31 March 2007 which comprises the principal accounting policies, the group profit and loss account, the group and company balance sheets, the group cash flow statement, the notes to the group cash flow statement and notes 1 to 24. 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 the directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Report that is cross referred from the "principal activities and review of the business" section of the Directors' Report.

In addition we 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.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Report and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2007 and of the group's loss 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.

NEWMARKET INVESTMENTS PLC

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED) TO THE MEMBERS OF NEWMARKET INVESTMENTS PLC

Emphasis of matter

Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1.1 to the financial statements concerning the company's ability to continue as a going concern. The group incurred a net loss of £303,000 for the year ended 31 March 2007 and, at that date had net current liabilities of £289,000. As referred to in note 1.1 the directors have prepared cash flow forecasts for the period to 31 March 2009 which include additional funds which the directors expect to raise from a future share issue and from a property transaction. Without these additional funds the group cannot continue to trade in its current form beyond the short term and as such there is a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company was unable to continue as a going concern. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Grant Thornton UK LLP
Chartered Accountants
Registered Auditor

20 February 2008
Southampton

NEWMARKET INVESTMENTS PLC

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

| | Notes | 2007 £'000 | £'000 | 2006 £'000 | £'000 |
|--|-----------|---------------|--------|---------------|---------|
| Turnover | 2 | | | | |
| Continuing operations | | 162 | | 164 | |
| Discontinued activities | | - | | 536 | |
| | | | 162 | | 700 |
| Cost of sales | 3 | | - | | (202) |
| Gross profit | | | 162 | | 498 |
| Administrative expenses | 3 | | (426) | | (1,074) |
| Operating loss | 4 | | | | |
| Continuing operations | | (264) | | (239) | |
| Discontinued activities | | - | | (337) | |
| | | | (264) | | (576) |
| Non operating exceptional items | | | | | |
| (Loss)/profit on disposal of other investments - continuing operations | 5 | | (9) | | 24 |
| Loss on sale of subsidiary undertaking - discontinued activities | | | - | | (1,279) |
| | | | (9) | | (1,255) |
| Other interest receivable and similar income | | | - | | 23 |
| Amounts written off investments | 6 | | (28) | | - |
| Interest payable and similar charges | 7 | | (2) | | (26) |
| Loss on ordinary activities before taxation | | | (303) | | (1,834) |
| Tax on loss on ordinary activities | 8 | | - | | - |
| Loss for the year | 16 | | (303) | | (1,834) |
| Loss per share - basic and diluted | 9 | | (3.4p) | | (19.6p) |
| Loss per share - continuing operations - basic and diluted | 9 | | (3.4p) | | (2.1p) |
| Loss per share - discontinued activities - basic and diluted | 9 | | - p | | (17.5p) |

There are no recognised gains and losses other than those passing through the profit and loss account.

NEWMARKET INVESTMENTS PLC

GROUP BALANCE SHEET AS AT 31 MARCH 2007

| | | 2007 | | 2006 | |
|--|-------|------------|--------------|------------|-------------|
| | Notes | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Tangible assets | 10 | | 12 | | 18 |
| Investments | 11 | | 1 | | 39 |
| | | | <u>13</u> | | <u>57</u> |
| Current assets | | | | | |
| Debtors | 12 | 232 | | 174 | |
| Cash at bank and in hand | | 74 | | 58 | |
| | | <u>306</u> | | <u>232</u> | |
| Creditors: amounts falling due within one year (including convertible debt) | 13 | (595) | | (262) | |
| Net current liabilities | | | <u>(289)</u> | | <u>(30)</u> |
| Total assets less current liabilities | | | <u>(276)</u> | | <u>27</u> |
| Capital and reserves | | | | | |
| Called up share capital | 15 | | 2,188 | | 2,188 |
| Share premium account | 16 | | 117 | | 117 |
| Capital redemption reserve | 16 | | 579 | | 579 |
| Profit and loss account | 16 | | (3,160) | | (2,857) |
| Shareholders' funds | 17 | | <u>(276)</u> | | <u>27</u> |

Approved by the Board and authorised for issue on 20 February 2008

M A Gadsby Peet
Director

NEWMARKET INVESTMENTS PLC

COMPANY BALANCE SHEET AS AT 31 MARCH 2007

| | Notes | 2007 £'000 | £'000 | 2006 £'000 | £'000 |
|--|-------|---------------|----------------|---------------|----------------|
| Fixed assets | | | | | |
| Tangible assets | 10 | | 4 | | 8 |
| Investments | 11 | | 64 | | 30 |
| | | | <u>68</u> | | <u>38</u> |
| Current assets | | | | | |
| Debtors | 12 | 18 | | 170 | |
| Cash at bank and in hand | | 8 | | 12 | |
| | | <u>26</u> | | <u>182</u> | |
| Creditors: amounts falling due within one year (including convertible debt) | 13 | <u>(382)</u> | | <u>(207)</u> | |
| Net current liabilities | | | <u>(356)</u> | | <u>(25)</u> |
| Total assets less current liabilities | | | <u>(288)</u> | | <u>13</u> |
| Capital and Reserves | | | | | |
| Called up share capital | 15 | | 2,188 | | 2,188 |
| Share premium account | 16 | | 117 | | 117 |
| Capital redemption reserve | 16 | | 579 | | 579 |
| Profit and loss account | 16 | | <u>(3,172)</u> | | <u>(2,871)</u> |
| Shareholders' Funds | | | <u>(288)</u> | | <u>13</u> |

The financial statements were approved by the Board on 20 February 2008

M A Gadsby Peet

Director

NEWMARKET INVESTMENTS PLC

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

| | £'000 | 2007 £'000 | £'000 | 2006 £'000 |
|---|-------|---------------|-------|---------------|
| Net cash outflow from operating activities | | (112) | | (74) |
| Returns on investments and servicing of finance | | | | |
| Interest received | - | | 23 | |
| Interest paid | (2) | | (26) | |
| | <hr/> | | <hr/> | |
| Net cash outflow for returns on investments and servicing of finance | | (2) | | (3) |
| Capital expenditure and financial investment | | | | |
| Payments to acquire tangible assets | - | | (119) | |
| Receipts from sales of tangible assets | - | | 15 | |
| Receipts from sales of investments | 1 | | 93 | |
| | <hr/> | | <hr/> | |
| Net cash outflow for capital expenditure | | 1 | | (11) |
| Sale of subsidiary undertakings (net of cash acquired) | - | | (39) | |
| | <hr/> | | <hr/> | |
| Net cash outflow for acquisitions and disposals | | - | | (39) |
| | | <hr/> | | <hr/> |
| Net cash outflow before management of liquid resources and financing | | (113) | | (127) |
| Financing | | | | |
| Other new short term loans | 65 | | - | |
| | <hr/> | | <hr/> | |
| Net cash inflow from financing | | 65 | | - |
| | | <hr/> | | <hr/> |
| Decrease in cash in the year | | (48) | | (127) |
| | | <hr/> <hr/> | | <hr/> <hr/> |

NEWMARKET INVESTMENTS PLC

NOTES TO THE GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

| | | | | |
|----------|---|---------------------|--------------------------------|--------------|
| 1 | Reconciliation of operating loss to net cash outflow from operating activities | | 2007 | 2006 |
| | | | £'000 | £'000 |
| | Operating loss | | (264) | (576) |
| | Depreciation of tangible assets | | 6 | 168 |
| | Loss on sale/fixed assets transferred to stock | | - | 43 |
| | Increase in stocks | | - | (35) |
| | (Increase)/decrease in debtors | | (58) | 127 |
| | Increase in creditors within one year | | 204 | 199 |
| | Net cash outflow from operating activities | | (112) | (74) |
| 2 | Analysis of net (debt)/funds | 1 April 2006 | Cash flow 31 March 2007 | |
| | | £'000 | £'000 | £'000 |
| | Net cash: | | | |
| | Cash at bank and in hand | 58 | 16 | 74 |
| | Bank overdrafts | - | (64) | (64) |
| | | <u>58</u> | <u>(48)</u> | <u>10</u> |
| | Debt: | | | |
| | Debts falling due within one year | - | (65) | (65) |
| | | <u>-</u> | <u>(65)</u> | <u>(65)</u> |
| | Net funds/(debt) | <u>58</u> | <u>(113)</u> | <u>(55)</u> |
| 3 | Reconciliation of net cash flow to movement in net (debt)/funds | | 2007 | 2006 |
| | | | £'000 | £'000 |
| | Decrease in cash in the year | | (48) | (127) |
| | Cash inflow from financing | | (65) | - |
| | On disposal of subsidiary | | - | 190 |
| | Movement in net (debt)/funds in the year | | (113) | 67 |
| | Opening net funds/(debt) | | 58 | (5) |
| | Closing net (debt)/funds | | (55) | 58 |

NEWMARKET INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and on a going concern basis as explained below.

The Company and the Group made losses for the year of £301,000 and £303,000 and each has net current liabilities of £356,000 and £289,000 respectively. The subsidiary companies break even but do not generate sufficient profits to meet the holding company expenses beyond the short term. The Group also has a small overdraft facility as disclosed in note 22. The Company's facility is guaranteed by P Reid.

The directors have prepared cash flow forecasts for the period to 31 March 2009 which include additional funds £1.315 million (before expenses) in the form of a share issue which is currently being arranged, and which will be subject to shareholder approval. In addition, the Company has unconditionally agreed to acquire one property in exchange for shares, which the Company will use to raise further working capital. This is subject to shareholders approval.

While there will always remain some inherent uncertainty in such matters the Directors remain confident that shareholder approval will be forthcoming, and therefore consider that it is appropriate to draw up the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of the overdraft facility by the Group's bankers or a failure to raise sufficient funds through the proposed share issue.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) which have been applied consistently (except as otherwise stated).

1.3 Turnover

In 2006, the revenue from Goalstriker was recognised for game plays during the period for revenue sharing units and on delivery for sales of Goalstriker Game units. Revenue from bloodstock nominations and ancillary services is the amount of commissions and other income earned during the period. As the group acts as a disclosed agent, the net amount of commission received is included as the revenue in accordance with Application Note G of FRS 5: Substance of Transactions. Revenue from insurance is the commissions earned on insurance policies brokered during the period.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

| | |
|--------------------------------|--|
| Plant and machinery | 5% - 33% per annum straight line, 20% - 25% per annum reducing balance |
| Fixtures, fittings & equipment | 10% - 15% per annum straight line |

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

NEWMARKET INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

1 Accounting policies (continued)

1.5 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.8 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date will result in an obligation to pay more, or a right to pay less or to receive more, tax. Deferred tax 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 tax is not recognised when an asset is revalued, or sold, if it is more likely than not that the taxable gain will be rolled over.

Deferred tax 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.

1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.10 Group accounts

The group profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 March 2007. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation. A separate profit and loss account dealing with the results of the Company only has not been presented as permitted by Section 230 of the Companies act 1985. The loss dealt with by the parent company is £301,000 (2006 - £4,263,000).

NEWMARKET INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

1 Accounting policies

(continued)

1.11 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

1.12 Equity-settled share-based payment

The company has adopted Financial Reporting Standard 20 - Share-based payment ('FRS 20') which requires share options to be fair valued at the date of grant and charged to the profit and loss account over the vesting period of the option. In accordance with the transitional provisions of FRS 20, the standard was applied retrospectively to all outstanding grants of share options after 7 November 2002 that had not vested by 1 April 2006. Comparatives have not been restated to reflect the change in accounting policy as the effect was not material.

2 Turnover

The total turnover of the Group for the year has been derived from its principal activity, the majority of which is undertaken in the United Kingdom.

3 Cost of sales and net operating expenses

| | 2007 | | | 2006 | | |
|-------------------------|---------------------|-----------------------|----------------|---------------------|-----------------------|----------------|
| | Continuing £'000 | Discontinued £'000 | Total £'000 | Continuing £'000 | Discontinued £'000 | Total £'000 |
| Cost of sales | - | - | - | - | 202 | 202 |
| Administrative expenses | 426 | - | 426 | 403 | 671 | 1,074 |
| | <u>426</u> | <u>-</u> | <u>426</u> | <u>403</u> | <u>873</u> | <u>1,276</u> |

The discontinued operations relate wholly to the business of the Goalstriker Group Limited which was sold in January 2006. The continuing operations relate to the leisure industry and the costs associated with the running of a public company.

NEWMARKET INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

| | | | |
|----------|---|-------------------|-------------------|
| 4 | Operating loss | 2007 | 2006 |
| | | £'000 | £'000 |
| | Operating loss is stated after charging: | | |
| | Depreciation of tangible assets | 6 | 168 |
| | Loss on disposal of tangible assets | - | 43 |
| | Loss on foreign exchange transactions | 1 | 2 |
| | Operating lease rentals | | |
| | - Other assets | - | 40 |
| | Fees payable to the Company's auditors for the audit of the Company's annual accounts | 9 | 18 |
| | Fees payable to the Company's auditors for other services to the Group | | |
| | - audit of the Company's subsidiaries pursuant to legislation | 6 | 9 |
| | Remuneration of auditors for non-audit work - tax compliance work | 2 | 5 |
| | | <u> </u> | <u> </u> |
| 5 | Profit on disposal of other investments | 2007 | 2006 |
| | | £'000 | £'000 |
| | Profit on disposal of listed investments | - | 24 |
| | Loss on disposal of unlisted investments | (9) | - |
| | | <u> </u> | <u> </u> |
| | | (9) | 24 |
| | | <u> </u> | <u> </u> |
| 6 | Amounts written off investments | 2007 | 2006 |
| | | £'000 | £'000 |
| | Amounts written off fixed asset investments: | | |
| | - temporary diminution in value | 28 | - |
| | | <u> </u> | <u> </u> |
| 7 | Interest payable | 2007 | 2006 |
| | | £'000 | £'000 |
| | On bank loans and overdrafts | 2 | 2 |
| | Other interest | - | 24 |
| | | <u> </u> | <u> </u> |
| | | 2 | 26 |
| | | <u> </u> | <u> </u> |

NEWMARKET INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

| 8 Taxation | 2007 £'000 | 2006 £'000 |
|---|-------------------|-------------------|
| Current tax charge | - | - |
| | <u> </u> | <u> </u> |
| Factors affecting the tax charge for the year | | |
| Loss on ordinary activities before taxation | (303) | (1,834) |
| | <u> </u> | <u> </u> |
| Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006 - 30.00%) | (91) | (550) |
| | <u> </u> | <u> </u> |
| Effects of: | | |
| Non deductible expenses | 37 | 7 |
| Depreciation in excess of capital allowances | (1) | (23) |
| Tax losses not utilised | 55 | 182 |
| Capital losses not utilised | - | 384 |
| | <u> </u> | <u> </u> |
| | 91 | 550 |
| | <u> </u> | <u> </u> |
| Current tax charge | - | - |
| | <u> </u> | <u> </u> |

There is no tax effect in the profit and loss account relating to exceptional items recognised below operating loss in the current or prior year. The directors estimate that there is £2.0 million (£1.8 million) of trading losses to carry forward to utilise against future trading profits and £1.1 million (2006 - £1.1 million) of capital losses available for offset against future capital gains.

NEWMARKET INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

9 Earnings per ordinary share

The earnings and number of shares used in the calculation of earnings per ordinary share are set out below:

| | 2007 | 2006 |
|-----------------------------------|-----------------------------|-----------------------------|
| Basic: | | |
| Loss for the financial year | 303,000 | 1,834,000 |
| Weighted average number of shares | 8,750,000 | 9,352,054 |
| Loss per share | 3.4p | 19.6p |
| | <u> </u> | <u> </u> |

There was no dilutive effect from the share options outstanding during the year (note 15).

Continuing operations

| | 2007 | 2006 |
|-----------------------------------|-----------------------------|-----------------------------|
| Basic: | | |
| Loss for the financial year | 303,000 | 192,000 |
| Weighted average number of shares | 8,750,000 | 9,352,054 |
| Loss per share | 3.4p | 2.1p |
| | <u> </u> | <u> </u> |

Discontinued operations

| | 2007 | 2006 |
|-----------------------------------|-----------------------------|-----------------------------|
| Basic: | | |
| Loss for the financial year | - | 1,642,000 |
| Weighted average number of shares | - | 9,352,054 |
| Loss per share | - | 17.5p |
| | <u> </u> | <u> </u> |

NEWMARKET INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

10 Tangible Fixed Assets

| | Plant and machinery £'000 | Fixtures, fittings & equipment £'000 | Total £'000 |
|------------------------------------|---------------------------------|---|----------------|
| The Group | | | |
| Cost | | | |
| At 1 April 2006 & at 31 March 2007 | 24 | 16 | 40 |
| Depreciation | | | |
| At 1 April 2006 | 13 | 9 | 22 |
| Charge for the year | 4 | 2 | 6 |
| At 31 March 2007 | 17 | 11 | 28 |
| Net book value | | | |
| At 31 March 2007 | 7 | 5 | 12 |
| At 31 March 2006 | 11 | 7 | 18 |

| | Plant and machinery £'000 | Fixtures, fittings & equipment £'000 | Total £'000 |
|------------------------------------|---------------------------------|---|----------------|
| The Company | | | |
| Cost | | | |
| At 1 April 2006 & at 31 March 2007 | 8 | 14 | 22 |
| Depreciation | | | |
| At 1 April 2006 | 6 | 8 | 14 |
| Charge for the year | 2 | 2 | 4 |
| At 31 March 2007 | 8 | 10 | 18 |
| Net book value | | | |
| At 31 March 2007 | - | 4 | 4 |
| At 31 March 2006 | 2 | 6 | 8 |

NEWMARKET INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

11 Fixed asset investments

| The Group | Listed investments £'000 | Unlisted investments £'000 | Total £'000 |
|---|---|---|------------------------|
| Cost | | | |
| At 1 April 2006 | 91 | 10 | 101 |
| Disposals | - | (10) | (10) |
| At 31 March 2007 | 91 | - | 91 |
| Provisions for diminution in value | | | |
| At 1 April 2006 | 62 | - | 62 |
| Charge for the year | 28 | - | 28 |
| At 31 March 2007 | 90 | - | 90 |
| Net book value | | | |
| At 31 March 2007 | 1 | - | 1 |
| At 31 March 2006 | 29 | 10 | 39 |
| | | | |
| | Shares in group undertakings £'000 | Listed investments £'000 | Total £'000 |
| The Company | | | |
| Cost | | | |
| At 1 April 2006 | 1 | 91 | 92 |
| Additions | 62 | - | 62 |
| Disposals | - | - | - |
| At 31 March 2007 | 63 | 91 | 154 |
| Provisions for diminution in value | | | |
| At 1 April 2006 | - | 62 | 62 |
| Charge for the year | - | 28 | 28 |
| On disposals | - | - | - |
| At 31 March 2007 | - | 90 | 90 |
| Net book value | | | |
| At 31 March 2007 | 63 | 1 | 64 |
| At 31 March 2006 | 1 | 29 | 30 |

Unlisted investments comprise shares in stallions, which were disposed of during the year.

NEWMARKET INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

11 Fixed asset investments

(continued)

Listed investments comprise shares in Winning Edge International Inc (formerly GWIN Inc). The carrying value of the investment has been revalued to reflect the diminution in the market value which at 31st March 2007 was £1,079 (2006: £29,189).

Subsidiary undertakings

The Company's investments in the ordinary share capital of its subsidiaries as at 31 March 2007, which have been consolidated, are as follows:

| Company | Country of registration | % Held | Activity |
|---|-------------------------|--------|-------------------|
| The British Bloodstock Agency (U.K.) Ltd | England | 100 | Bloodstock agent |
| BBA Insurance Services Limited | England | 100 | Insurance brokers |
| Newmarket Investment (Properties) Limited | England | 100 | Dormant |

During the year, the share capital of BBA Insurance Services Limited was increased by £62,000 by the capitalisation of the intercompany debt between it and Newmarket Investments Plc.

| 12 Debtors | The Group | | The Company | |
|---|---------------|---------------|---------------|---------------|
| | 2007 £'000 | 2006 £'000 | 2007 £'000 | 2006 £'000 |
| Trade debtors | 198 | 64 | - | - |
| Amounts owed by subsidiary undertakings | - | - | 1 | 65 |
| Other debtors | 29 | 106 | 16 | 104 |
| Prepayments and accrued income | 5 | 4 | 1 | 1 |
| | <u>232</u> | <u>174</u> | <u>18</u> | <u>170</u> |

NEWMARKET INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

| 13 Creditors: amounts falling due within one year | The Group | | The Company | |
|---|---------------|---------------|---------------|---------------|
| | 2007 £'000 | 2006 £'000 | 2007 £'000 | 2006 £'000 |
| Convertible loans | 65 | - | 65 | - |
| Bank loans and overdrafts | 64 | - | 24 | - |
| Trade creditors | 376 | 127 | 173 | 57 |
| Amounts owed to subsidiary undertakings | - | - | 57 | 44 |
| Taxes and social security costs | 39 | 4 | 37 | - |
| Directors current accounts | 5 | - | 5 | - |
| Other creditors | 20 | 21 | 1 | 1 |
| Accruals and deferred income | 26 | 110 | 20 | 105 |
| | <u>595</u> | <u>262</u> | <u>382</u> | <u>207</u> |

The bank overdraft facility is secured by a fixed and floating charge over the assets of the Company and The British Bloodstock Agency (UK) Limited.

The Company is party to a cross guarantee between the Company and The British Bloodstock Agency (UK) Limited which is unlimited as at 31 March 2007.

The Company's overdraft is guaranteed by P Reid, a director of the Company.

In October 2006 and February 2007, the Company raised £70,000 under Loan Agreements ('Loans'). Interest is payable on the Loans at LIBOR plus 3%, to be rolled up until the Loans are repaid. The Loans were raised on the basis of a Placing and Re-admission of the shares of the Company onto AIM. The lenders, at their discretion, may convert all or part of their Loans, plus accrued interest, into new ordinary shares of the Company at the Placing price, on or before the date one month following the Placing and Re-admission. If the Lender does not convert, then the Loans will be repaid on or before the date six months following the Placing and Re-admission. If the Placing and Re-admission is aborted, the Loans will be repaid on or before the date six months after the abort. Any balance not converted into shares shall be repaid by 31 December 2007 at the latest.

NEWMARKET INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

14 Provisions for liabilities The Group

| | Not provided | | Provided | |
|--------------------------------|--------------|------------|----------|----------|
| | 2007 | 2006 | 2007 | 2006 |
| | £'000 | £'000 | £'000 | £'000 |
| Accelerated capital allowances | 4 | 5 | - | - |
| Tax losses available | 612 | 543 | - | - |
| | <u>616</u> | <u>548</u> | <u>-</u> | <u>-</u> |

| The Company | Not provided | | Provided | |
|--------------------------------|--------------|------------|----------|----------|
| | 2007 | 2006 | 2007 | 2006 |
| | £'000 | £'000 | £'000 | £'000 |
| Accelerated capital allowances | 4 | 6 | - | - |
| Tax losses available | 503 | 431 | - | - |
| | <u>507</u> | <u>439</u> | <u>-</u> | <u>-</u> |

| 15 Share capital | 2007 | 2006 |
|---|------------------|------------------|
| | £ | £ |
| Authorised | | |
| 17,000,000 Ordinary shares of 1p each | 170,000 | 170,000 |
| 17,000,000 Deferred shares of 24p each | 4,080,000 | 4,080,000 |
| | <u>4,250,000</u> | <u>4,250,000</u> |
| Allotted, called up and fully paid | | |
| 8,750,000 Ordinary shares of 1p each | 87,500 | 87,500 |
| 8,750,000 Deferred shares of 24p each | 2,100,000 | 2,100,000 |
| | <u>2,187,500</u> | <u>2,187,500</u> |

The deferred shares carry no right to attend and vote at general meetings of the Company and have no right to a dividend. On a return of capital on liquidation, the deferred shareholders will be entitled to receive 24p per share but only after the new ordinary shareholders have received the nominal amount of the new ordinary share and the payment of £100 per share.

At the year end there were nil (2006 - 121,875) options outstanding.

The following share options lapsed during the year after the resignation of the director concerned:

| | Number of options | Date of grant | Exercise price | Exercise period | |
|---------------|-------------------|---------------|----------------|-----------------|--------------|
| | | | | Start | End |
| P J Pottinger | 121,875 | January 2004 | 31.18p | January 2007 | January 2014 |

NEWMARKET INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

16 Statement of movements on reserves

| The Group | Share premium account £'000 | Capital redemption reserve £'000 | Profit and loss account £'000 |
|--------------------------|--|---|--|
| Balance at 1 April 2006 | 117 | 579 | (2,857) |
| Loss for the year | - | - | (303) |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 March 2007 | <u>117</u> | <u>579</u> | <u>(3,160)</u> |

| The Company | Share premium account £'000 | Capital redemption reserve £'000 | Profit and loss account £'000 |
|--------------------------|--|---|--|
| Balance at 1 April 2006 | 117 | 579 | (2,871) |
| Loss for the year | - | - | (301) |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 March 2007 | <u>117</u> | <u>579</u> | <u>(3,172)</u> |

17 Reconciliation of movements in shareholders' funds

| | 2007 £'000 | 2006 £'000 |
|--------------------------------------|-----------------------|-----------------------|
| Loss for the financial year | (303) | (1,834) |
| Net depletion in shareholders' funds | (303) | (1,834) |
| Opening shareholders' funds | 27 | 1,861 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | <u>(276)</u> | <u>27</u> |

18 Financial commitments

At 31 March 2007 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2008:

| | Land and buildings | | Other | |
|--------------------------------|---------------------------|-----------------------|-----------------------|-----------------------|
| | 2007 £'000 | 2006 £'000 | 2007 £'000 | 2006 £'000 |
| Operating leases which expire: | | | | |
| Between two and five years | <u>6</u> | <u>6</u> | <u>1</u> | <u>1</u> |

NEWMARKET INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

| 19 Directors' emoluments | 2007 £'000 | 2006 £'000 |
|---|-----------------------|-----------------------|
| The Group | | |
| Emoluments for qualifying services | 39 | 124 |
| Company pension contributions to money purchase schemes | - | 12 |
| | <u>39</u> | <u>136</u> |
| | <u><u>39</u></u> | <u><u>136</u></u> |
| | 2007 £'000 | 2006 £'000 |
| The Company | | |
| Emoluments for qualifying services | 39 | 124 |
| Company pension contributions to money purchase schemes | - | 12 |
| | <u>39</u> | <u>136</u> |
| | <u><u>39</u></u> | <u><u>136</u></u> |

During the year, the Company was paying pension contributions into a self-invested personal pension on behalf of 0 director (2006 - 1).

Emoluments disclosed above include the following amounts paid to the highest paid director, P Reid (2006 - Mr R G Reason):

| | 2007 £'000 | 2006 £'000 |
|---|------------------|------------------|
| Emoluments for qualifying services | 30 | 64 |
| Company pension contributions to money purchase schemes | - | 12 |
| | <u>30</u> | <u>76</u> |
| | <u><u>30</u></u> | <u><u>76</u></u> |

20 Transactions with directors

At the balance sheet date, the following balances were due from the Company to the directors. With the exception of the Convertible Loan (note 13), there are no terms as to interest or repayment in respect of these balances:

J P Carrington £20,000 (2006 - £nil) - Convertible Loan

M A Gadsby Peet - £5,321 (2006 - £nil).

The Company overdraft is guaranteed by P Reid.

NEWMARKET INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

21 Employees

The Group

Number of employees

The average monthly number of employees (including directors) during the year was:

| | 2007 | 2006 |
|------------------------|---------------|---------------|
| | Number | Number |
| Administration | 4 | 12 |
| Sales and distribution | 3 | 6 |
| | <u>7</u> | <u>18</u> |

Employment costs

| | 2007 | 2006 |
|-----------------------|--------------|--------------|
| | £'000 | £'000 |
| Wages and salaries | 143 | 499 |
| Social security costs | 19 | 39 |
| Other pension costs | - | 13 |
| | <u>162</u> | <u>551</u> |

The Company

Number of employees

The average monthly number of employees (including directors) during the year was:

| | 2007 | 2006 |
|----------------|---------------|---------------|
| | Number | Number |
| Administration | 4 | 7 |
| | <u>4</u> | <u>7</u> |

Employment costs

| | 2007 | 2006 |
|-----------------------|--------------|--------------|
| | £'000 | £'000 |
| Wages and salaries | 39 | 108 |
| Social security costs | 8 | 5 |
| Other pension costs | - | 7 |
| | <u>47</u> | <u>131</u> |

NEWMARKET INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

22 Financial instruments

The Group's financial instruments at 31 March 2007 comprise short term trade debtors and trade creditors, convertible and director loans and bank overdrafts.

The Group does not trade in financial instruments and neither uses, nor trades in, derivative financial instruments.

Interest rate risk profile

Interest on the overdraft is calculated on a floating rate basis at 2.5% over bank base rate, and interest on the Convertible Loans is calculated at LIBOR plus 3%.

The bank has, in respect of their overdraft, a fixed and floating charge over all the assets of the Company and its subsidiaries, together with a personal guarantee from a director, P Reid

Liquidity risk

The Group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. All cash balances are immediately accessible. All liabilities are due within the year. In addition, the Company has utilised the Convertible Loans to assist with its working capital requirements.

Foreign currency exposure

At 31st March 2007, the Group's currency exposures, comprising the monetary assets and monetary liabilities of the Group, including short term debtors and short term creditors but excluding foreign currency bank accounts held in the UK, that are not denominated in sterling, were assets of US\$nil (2006: US\$nil) and liabilities of €nil (2006: €nil).

Fair value of financial assets and liabilities

The Group's financial assets and liabilities (excluding trade debtors and trade creditors) are as follows:

| | Book value and fair value | |
|------------------------------|---------------------------|-----------|
| | 2007 | 2006 |
| | £'000 | £'000 |
| <i>Financial assets</i> | | |
| Cash at bank | 71 | 58 |
| Fixed asset investments | 1 | 29 |
| <i>Financial liabilities</i> | | |
| Convertible loans | (65) | - |
| Bank overdraft | (64) | - |
| Director's loan account | (5) | - |
| | <u>(62)</u> | <u>87</u> |

The fair values of the Group's financial instruments are considered not to be materially different to the book values.

NEWMARKET INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) *FOR THE YEAR ENDED 31 MARCH 2007*

23 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

24 Post balance sheet events

On 23 May 2007, the Company announced the acquisition of Equine Risk Management Ltd ("ERM"), a specialist insurance company focused on show jumpers and eventers, which compliments the existing BBAIS thoroughbred insurance business. The purchase price for ERM was £75,000, plus costs.