

Company Registration No. 118752 (England and Wales)

**NEWMARKET INVESTMENTS PLC**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2006**

# NEWMARKET INVESTMENTS PLC

## COMPANY INFORMATION

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<b>Directors</b>	Philip Reid (Appointed 18 January 2006) M A Gadsby Peet (Appointed 18 January 2006) J P Carrington
<b>Secretary</b>	Manchester Square Registrars Limited
<b>Company number</b>	118752
<b>Registered office</b>	25 Manchester Square London W1U 3PY
<b>Auditors</b>	Grant Thornton UK LLP Gostrey House Union Road Farnham Surrey GU9 7PT
<b>Bankers</b>	Barclays Bank Plc 58 High Street Newmarket Suffolk CB8 8NH

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# NEWMARKET INVESTMENTS PLC

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# NEWMARKET INVESTMENTS PLC

## CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 MARCH 2006

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The results for the year to 31 March 2006 show a loss before tax of £1.834 million (2005 - £1.152 million). £362,000 (2005 - £789,000) of this loss related to Goalstriker Group Limited up to the date of its disposal on 18 January 2006. The results also include an exceptional loss on the disposal of Goalstriker amounting to £1.279 million.

The Group now consists of The British Bloodstock Agency (UK) Limited, which continues as a bloodstock agency and B.B.A. Insurance Services Limited, an insurance broker. These racing businesses continue to perform satisfactorily with turnover attributable of £164,000 an increase of 4 % on the previous year (2005 - £157,000). Newmarket Investments Plc incurs modest running costs, the majority of which have been deferred pending the final decisions as to corporate strategy.

Notwithstanding that the disposal of Goalstriker was, justifiably in the previous Board's view, in the best interests of shareholders, it left your Company needing to regenerate greater business activity. To that end, your current Board is intent on reinforcing Newmarkets activities in its traditional market whilst exploring opportunities in related fields. This planning for growth, both organically and by acquisition, will require additional funding and your Company is currently in discussions with its financial advisers as to how best to achieve this.

Your Board believes these discussions will be successful which will allow the Company to meet all current obligations and sensibly make progress in building a more substantial business platform. Shareholders will be informed of all developments as they occur.

Philip Reid  
**Chairman**  
29 September 2006

# NEWMARKET INVESTMENTS PLC

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

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

### Principal activities and review of the business

The principal activity of the Group is investment in leisure related businesses. The main subsidiary, GoalStriker Group Limited was sold during the year. 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 6.

The directors do not recommend payment of an ordinary dividend.

### Purchase of own shares

On 18 January 2006, R G Reason surrendered 750,000 new ordinary shares of 1p each and 750,000 deferred shares of 24p each under the Sales Agreement for the disposal of Goalstriker Group Limited, representing 7.9% of the shares in issue prior to the purchase.

### Directors

The following directors have held office since 1 April 2005:

Philip Reid	(Appointed 18 January 2006)
M A Gadsby Peet	(Appointed 18 January 2006)
P J D Pottinger	(Resigned 6 September 2006)
J P Carrington	
P D Foster	(Resigned 25 January 2006)
R G Reason	(Resigned 25 January 2006)
S S G Hayes	(Resigned 15 February 2006)

P Reid, M A Gadsby Peet and J P Carrington retire by rotation and, being eligible, offer themselves 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 2006	1 April 2005
Philip Reid	-	-
M A Gadsby Peet	-	-
P J D Pottinger	-	5,000
J P Carrington	-	131,550

  

	Ordinary shares of 1p each	
	31 March 2006	1 April 2005
Philip Reid	-	-
M A Gadsby Peet	-	-
P J D Pottinger	5,000	-
J P Carrington	131,550	-

  

	Deferred shares of 24p each	
	31 March 2006	1 April 2005
Philip Reid	-	-
M A Gadsby Peet	-	-
P J D Pottinger	5,000	-
J P Carrington	131,550	-

# NEWMARKET INVESTMENTS PLC

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

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At the year end, the following directors had been granted options with the terms and conditions as disclosed in note 17 to the financial statements.

	31 December 2005	1 January 2005
P J D Pottinger	121,875	121,875

The market price of the Company's shares on 31 March 2006 was 19p and the high and low share prices during the period covered by these accounts were 39p and 19p 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 76 (2005 - 56).

### Financial instruments

The Group's financial risk management objectives and policies are discussed in note 24.

### 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

Philip Reid

**Director**

29 September 2006

# NEWMARKET INVESTMENTS PLC

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEWMARKET INVESTMENTS PLC

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We have audited the consolidated and parent company financial statements (the "financial statements") of Newmarket Investments plc for the year ended 31 March 2006 which comprise, the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated 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 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, whether they are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement. 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 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 consolidated and the parent company's affairs as at 31 March 2006 and of the consolidated 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 for the year ended 31 March 2006.

# NEWMARKET INVESTMENTS PLC

## INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF NEWMARKET INVESTMENTS PLC

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### **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. As referred to in note 1.1 the directors have prepared cash flow forecasts for the period to 31 March 2008 which include additional funds which the directors expect to raise from a future share issue. 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 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**

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Farnham

# NEWMARKET INVESTMENTS PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 £'000	£'000	2005 £'000	£'000
<b>Turnover</b>	<b>2</b>				
Continuing operations		164		157	
Discontinued activities		536		621	
			700		778
Cost of sales	<b>3</b>		(202)		(252)
<b>Gross profit</b>			498		526
Administrative expenses	<b>3</b>		(1,074)		(1,418)
<b>Operating loss</b>	<b>4</b>				
Continuing operations		(240)		(174)	
Discontinued activities		(336)		(718)	
			(576)		(892)
<b>Non operating exceptional items</b>					
Profit on disposal of other investments - continuing operations	<b>5</b>		24		7
Loss on sale of fixed assets - discontinued activities			-		(59)
Loss on sale of subsidiary undertaking - discontinued activities	<b>12</b>		(1,279)		-
			(1,255)		(52)
Other interest receivable and similar income			23		13
Amounts written off investments	<b>6</b>		-		(210)
Interest payable and similar charges	<b>7</b>		(26)		(11)
<b>Loss on ordinary activities before taxation</b>			(1,834)		(1,152)
Tax on loss on ordinary activities	<b>8</b>		-		-
<b>Loss for the year</b>	<b>18</b>		(1,834)		(1,152)
<b>Loss per share - basic</b>	<b>9</b>		(19.6p)		(12.5p)
<b>Loss per share - continuing operations</b>	<b>9</b>		(2.1p)		(3.9p)
<b>Loss per share - discontinued activities</b>	<b>9</b>		(17.5p)		(8.6p)

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

# NEWMARKET INVESTMENTS PLC

## CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006

		2006		2005	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	10		-		1,247
Tangible assets	11		18		598
Investments	12		39		108
			<u>57</u>		<u>1,953</u>
<b>Current assets</b>					
Stocks	13	-		37	
Debtors	14	174		447	
Cash at bank and in hand		58		148	
		<u>232</u>		<u>632</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(262)</u>		<u>(724)</u>	
<b>Net current liabilities</b>			<u>(30)</u>		<u>(92)</u>
<b>Total assets less current liabilities</b>			<u>27</u>		<u>1,861</u>
<b>Capital and reserves</b>					
Called up share capital	17		2,188		2,375
Share premium account	18		117		117
Capital redemption reserve	18		579		392
Merger reserve	18		-		803
Profit and loss account	18		(2,857)		(1,826)
<b>Shareholders' funds</b>	19		<u>27</u>		<u>1,861</u>

Approved by the Board and authorised for issue on 29 September 2006

Philip Reid  
Director

# NEWMARKET INVESTMENTS PLC

## COMPANY BALANCE SHEET AS AT 31 MARCH 2006

	Notes	2006 £'000	£'000	2005 £'000	£'000
<b>Fixed Assets</b>					
Tangible assets	11		8		9
Investments	12		30		4,121
			<u>38</u>		<u>4,130</u>
<b>Current Assets</b>					
Debtors	14	170		172	
Cash at bank and in hand		12		39	
		<u>182</u>		<u>211</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(207)</u>		<u>(65)</u>	
<b>Net current (liabilities)/assets</b>			<u>(25)</u>		<u>146</u>
<b>Total assets less current liabilities</b>			<u>13</u>		<u>4,276</u>
<b>Capital and Reserves</b>					
Called up share capital	17		2,188		2,375
Share premium account	18		117		117
Capital redemption reserve	18		579		392
Merger reserve	18		-		945
Profit and loss account	18		(2,871)		447
			<u>13</u>		<u>4,276</u>
<b>Shareholders' Funds</b>			<u>13</u>		<u>4,276</u>

The financial statements were approved by the Board on 29 September 2006

Philip Reid

**Director**

# NEWMARKET INVESTMENTS PLC

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	£'000	2006 £'000	£'000	2005 £'000
<b>Net cash outflow from operating activities</b>		(74)		(469)
<b>Returns on investments and servicing of finance</b>				
Interest received	23		13	
Interest paid	(26)		(11)	
<b>Net cash (outflow)/inflow for returns on investments and servicing of finance</b>		(3)		2
<b>Capital expenditure and financial investment</b>				
Payments to acquire tangible assets	(119)		(232)	
Receipts from sales of tangible assets	15		15	
Receipts from sales of investments	93		123	
<b>Net cash outflow for capital expenditure</b>		(11)		(94)
Sale of subsidiary undertakings (net of cash acquired) (note 12)	(39)		-	
<b>Net cash outflow for acquisitions and disposals</b>		(39)		-
<b>Net cash outflow before management of liquid resources and financing</b>		(127)		(561)
<b>Financing</b>				
Issue of ordinary share capital	-		1,233	
Cost of share issue	-		(138)	
Purchase of own shares	-		(91)	
Issue of shares	-		1,004	
Repayment of loans	-		(498)	
<b>Net cash inflow from financing</b>		-		506
<b>Decrease in cash in the year</b>		(127)		(55)

# NEWMARKET INVESTMENTS PLC

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

<b>1</b>	<b>Reconciliation of operating loss to net cash outflow from operating activities</b>		<b>2006</b>	<b>2005</b>
			<b>£'000</b>	<b>£'000</b>
	Operating loss		(576)	(891)
	Depreciation of tangible assets		168	314
	Loss on sale/ fixed assets transferred to stock		43	82
	Decrease/(increase) in stocks		(35)	68
	Decrease/(increase) in debtors		127	(38)
	(Decrease)/Increase in creditors within one year		199	3
	<b>Net cash outflow from operating activities</b>		<b>(74)</b>	<b>(469)</b>
<b>2</b>	<b>Analysis of net funds/(debt)</b>	<b>1 April 2005</b>	<b>Cash flow On disposal of subsidiary (note 12)</b>	<b>31 March 2006</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Net cash:			
	Cash at bank and in hand	148	(85)	58
	Bank overdrafts	(153)	(42)	-
		<b>(5)</b>	<b>(127)</b>	<b>58</b>
<b>3</b>	<b>Reconciliation of net cash flow to movement in net funds/(debt)</b>		<b>2006</b>	<b>2005</b>
			<b>£'000</b>	<b>£'000</b>
	Decrease in cash in the year		(127)	(55)
	On disposal of subsidiary		190	-
	<b>Movement in net funds/(debt) in the year</b>		<b>63</b>	<b>(55)</b>
	Opening net (debt)/funds		(5)	50
	<b>Closing net funds/(debt)</b>		<b>58</b>	<b>(5)</b>

# NEWMARKET INVESTMENTS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

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### 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 have made a further loss for the year and there is a significant deficit on reserves. During the year the loss making subsidiary, Goalstriker Group Limited, was sold. The remaining 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 23.

The directors have prepared cash flow forecasts for the period to 31 March 2008 which include additional funds in the form of a share issue which is currently being arranged, and which will be subject to shareholder approval. While there will always remain some inherent uncertainty in such a matter 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.

#### 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).

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards

-FRS 21 'Events after the Balance Sheet date (IAS 10)'; and

-the presentation requirements of 'FRS 25 'Financial Instruments: Disclosure and Presentation (IAS 32)''.

The adoption of these standards has resulted in no changes in the accounting policies of the group.

#### 1.3 Turnover

Revenue from Goalstriker is 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 company 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 Goodwill

Following the disposal of Goalstriker Group Limited there is no goodwill carried forward. Previously goodwill arising on consolidation was regarded by the directors as having an indefinite useful life as it was being renewed and enhanced by the development of the business. Under FRS 10: Goodwill and Intangible Assets, where goodwill is not amortised, an annual impairment review was required and the directors must be satisfied that in order to show a true and fair view, no amortisation should be provided on this goodwill. This was a departure from the normal requirements of the Companies Act 1985.

Goodwill arising on acquisitions prior to 1 April 1998 was written off against reserves in the year of acquisition and on implementation of FRS 10, this goodwill was not reinstated.

# NEWMARKET INVESTMENTS PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

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### 1 Accounting policies (continued)

#### 1.5 Trademarks

Trademarks related to the Goalstriker game and were disposed of as part of the sale of Goalstriker Group Limited during the year. Trademarks were regarded by the directors as having an indefinite useful life. Under FRS 10: Goodwill and Intangible Assets, where trademarks are not amortised, an annual impairment review is required and the directors must be satisfied that in order to show a true and fair view, no amortisation should be provided on these trademarks. This is a departure from the normal requirements of the Companies Act 1985.

#### 1.6 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
Motor vehicles	25% per annum reducing balance

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

#### 1.7 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.

#### 1.8 Investments

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

#### 1.9 Stock

Stock is valued at the lower of cost and net realisable value.

#### 1.10 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.

#### 1.11 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, with the following exceptions. 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.

# NEWMARKET INVESTMENTS PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

### 1 Accounting policies

(continued)

#### 1.12 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.

#### 1.13 Group accounts

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 March 2006. 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 £4,263,000 (2005 - profit of £320,000).

#### 1.14 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.

### 2 Turnover

The total turnover of the company 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

	2006			2005		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Cost of sales	-	202	202	-	252	252
Administrative expenses	404	670	1,074	331	1,087	1,418
	<u>404</u>	<u>872</u>	<u>1,276</u>	<u>331</u>	<u>1,339</u>	<u>1,670</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 2006

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<b>4</b>	<b>Operating loss</b>	<b>2006</b>	<b>2005</b>
		<b>£'000</b>	<b>£'000</b>
	Operating loss is stated after charging:		
	Depreciation of tangible assets	168	314
	Loss on disposal of tangible assets	43	-
	Loss on foreign exchange transactions	2	-
	Operating lease rentals		
	- Plant and machinery	-	12
	- Other assets	40	31
	Auditors' remuneration - audit services	27	17
	Remuneration of auditors for non-audit work - tax compliance work	5	-
		<u>          </u>	<u>          </u>
<b>5</b>	<b>Profit on disposal of other investments</b>	<b>2006</b>	<b>2005</b>
		<b>£'000</b>	<b>£'000</b>
	Profit on disposal of associate	-	34
	Profit/(loss) on disposal of listed investments	24	(27)
		<u>          </u>	<u>          </u>
		24	7
		<u>          </u>	<u>          </u>
<b>6</b>	<b>Amounts written off investments</b>	<b>2006</b>	<b>2005</b>
		<b>£'000</b>	<b>£'000</b>
	Amounts written off fixed asset investments:	-	210
		<u>          </u>	<u>          </u>
<b>7</b>	<b>Interest payable</b>	<b>2006</b>	<b>2005</b>
		<b>£'000</b>	<b>£'000</b>
	On bank loans and overdrafts	2	-
	Other interest	24	11
		<u>          </u>	<u>          </u>
		26	11
		<u>          </u>	<u>          </u>

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# NEWMARKET INVESTMENTS PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

8 Taxation	2006 £'000	2005 £'000
Current tax charge	-	-
<b>Factors affecting the tax charge for the year</b>		
Loss on ordinary activities before taxation	(1,834)	(1,152)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 - 30.00%)	(550)	(346)
Effects of:		
Non deductible expenses	7	97
Depreciation in excess of capital allowances	(23)	40
Tax losses not utilised	182	192
Capital losses not utilised	384	17
	550	346
<b>Current tax charge</b>	-	-

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 £1.8 million of trading losses to carry forward to utilise against future trading profits.

## 9 Earnings per ordinary share

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

	2006	2005
Basic:		
Loss for the financial year	1,834,000	1,152,000
Weighted average number of shares	9,352,054	9,241,145
Loss per share	19.6p	12.5p

There was no dilutive effect from the share options outstanding during the year (note 17).

### Continuing operations

Basic:		
Loss for the financial year	193,000	363,000
Weighted average number of shares	9,352,054	9,241,145
Loss per share	2.1p	3.9p

### Discontinued operations

Basic:		
Loss for the financial year	1,641,000	789,000
Weighted average number of shares	9,352,054	9,241,145
Loss per share	17.5p	8.6p

# NEWMARKET INVESTMENTS PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

### 10 Intangible fixed assets

<b>The Group</b>	<b>Trademarks</b>	<b>Goodwill</b>	<b>Total</b>
<b>Cost</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2005	17	1,295	1,312
Disposal of subsidiary undertaking	(17)	(1,295)	(1,312)
	<hr/>	<hr/>	<hr/>
At 31 March 2006	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Amortisation</b>			
At 1 April 2005	1	64	65
Disposal of subsidiary undertaking	(1)	(64)	(65)
	<hr/>	<hr/>	<hr/>
At 31 March 2006	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 2006	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2005	16	1,231	1,247
	<hr/>	<hr/>	<hr/>

# NEWMARKET INVESTMENTS PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

### 11 Tangible Fixed Assets

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
<b>The Group</b>				
<b>Cost or valuation</b>				
At 1 April 2005	848	20	15	883
Additions	119	-	-	119
Disposal	(943)	(4)	(15)	(962)
At 31 March 2006	24	16	-	40
<b>Depreciation</b>				
At 1 April 2005	267	10	8	285
Disposal	(418)	(4)	(9)	(431)
Charge for the year	164	3	1	168
At 31 March 2006	13	9	-	22
<b>Net book value</b>				
At 31 March 2006	11	7	-	18
At 31 March 2005	581	10	7	598

Included in motor vehicles above is an asset held under hire purchase. The net book value at the year end was £nil (2005 - £6,457). The depreciation charged for the year amounted to £1,211 (2005 - £2,152).

<b>The Company</b>	Plant and machinery	Fixtures, fittings & equipment	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 April 2005 & at 31 March 2006	8	14	22
<b>Depreciation</b>			
At 1 April 2005	6	7	13
Charge for the year	-	1	1
At 31 March 2006	6	8	14
<b>Net book value</b>			
At 31 March 2006	2	6	8
At 31 March 2005	2	7	9

# NEWMARKET INVESTMENTS PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

### 12 Fixed asset investments

<b>The Group</b>	<b>Listed investments £'000</b>	<b>Unlisted investments £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 April 2005	308	10	318
Disposals	(217)	-	(217)
At 31 March 2006	91	10	101
<b>Provisions for diminution in value</b>			
At 1 April 2005	210	-	210
On disposals	(148)	-	(148)
At 31 March 2006	62	-	62
<b>Net book value</b>			
At 31 March 2006	29	10	39
At 31 March 2005	98	10	108

<b>The Company</b>	<b>Shares in group undertakings £'000</b>	<b>Loans to group undertakings £'000</b>	<b>Listed investments £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 April 2005	1,071	2,952	308	4,331
Additions	-	45	-	45
Disposals	(1,070)	(2,997)	(217)	(4,284)
At 31 March 2006	1	-	91	92
<b>Provisions for diminution in value</b>				
At 1 April 2005	-	-	210	210
Exchange differences	-	-	-	-
On disposals	-	-	(148)	(148)
At 31 March 2006	-	-	62	62
<b>Net book value</b>				
At 31 March 2006	1	-	29	30
At 31 March 2005	1,071	2,952	98	4,121

Unlisted investments comprise shares in stallions.

# NEWMARKET INVESTMENTS PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

### 12 Fixed asset investments

(continued)

Listed investments comprise shares in GWIN Inc. During the year 2,540,989 of the shares were disposed of in accordance with the group's strategy of focussing on the racing business realising a profit on disposal of £24,000. The carrying value of the investment has been revalued to reflect the diminution in the market value which at 31st March 2006 was £29,189 (2005: £95,186).

#### Subsidiary undertakings

The Company's investments in the ordinary share capital of its subsidiaries as at 31 March 2006, 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

On 18 January 2006, the Group completed the sale of Goalstriker Group Limited. The disposal is analysed as follows:

Net assets disposed of:	<b>£'000</b>
Fixed assets	489
Stock	72
Debtors	146
Cash	5
Bank overdraft	(195)
Other creditors	(508)
Goodwill	1,231
	<hr/>
	1,240
Loss on disposal	(1,279)
	<hr/>
	(39)
	<hr/>
Satisfied by:	
Legal fees	(79)
Wages foregone by R G Reason	40
	<hr/>
	(39)
	<hr/>

The loss attributable to shareholders includes losses of £362,000 incurred by Goalstriker Group Limited up to the date of its disposal on 18 January 2006.

During the year, Goalstriker Group Limited utilised £8,000 of the Group's net operating cash flows, paid £26,000 in respect of net returns on investments and servicing of finance, paid £119,000 for capital expenditure.

# NEWMARKET INVESTMENTS PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

<b>13 Stocks</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Finished goods and goods for resale	-	37

<b>14 Debtors</b>	<b>The Group</b>		<b>The Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	64	258	-	-
Amounts owed by subsidiary undertakings	-	-	65	85
Other debtors	106	105	104	84
Prepayments and accrued income	4	84	1	3
	<u>174</u>	<u>447</u>	<u>170</u>	<u>172</u>

<b>15 Creditors: amounts falling due within one year</b>	<b>The Group</b>		<b>The Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	-	153	-	-
Net obligations under finance lease and hire purchase contracts	-	4	-	-
Trade creditors	127	219	57	9
Amounts owed to subsidiary undertakings	-	-	44	44
Taxes and social security costs	4	17	-	5
Directors current accounts	-	120	-	-
Other creditors	21	66	1	1
Accruals and deferred income	110	145	55	6
	<u>262</u>	<u>724</u>	<u>157</u>	<u>65</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 2006.

No contingent liability existed at 31 March 2006 (2005 - £153,000 in respect of Goalstriker Group Limited's overdraft).

The director's loan account was secured by a fixed and floating charge over all the assets of Goalstriker Group Limited.

The hire purchase liability was secured on the assets to which it related.

# NEWMARKET INVESTMENTS PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

### 16 Provisions for liabilities The Group

	Not provided		Provided	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Accelerated capital allowances	5	101	-	-
Tax losses available	543	1,246	-	-
	<u>548</u>	<u>1,347</u>	<u>-</u>	<u>-</u>

### The Company

	Not provided		Provided	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Accelerated capital allowances	6	8	-	-
Tax losses available	431	376	-	-
	<u>439</u>	<u>384</u>	<u>-</u>	<u>-</u>

# NEWMARKET INVESTMENTS PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

17 Share capital	2006	2005
	£	£
<b>Authorised</b>		
17,000,000 Ordinary shares of 25p each	-	4,250,000
17,000,000 Ordinary shares of 1p each	170,000	-
17,000,000 Deferred shares of 24p each	4,080,000	-
	<u>4,250,000</u>	<u>4,250,000</u>
<b>Allotted, called up and fully paid</b>		
9,500,000 Ordinary shares of 25p each	-	2,375,000
8,750,000 Ordinary shares of 1p each	87,500	-
8,750,000 Deferred shares of 24p each	2,100,000	-
	<u>2,187,500</u>	<u>2,375,000</u>

At an extraordinary general meeting held on 18 January 2006, shareholders approved a capital reorganisation whereby each existing ordinary share of 25p each was split into 1 new ordinary share of 1p each and 1 deferred share of 24p each. The new ordinary share of 1p each carries the same rights as the existing ordinary share of 25p each. 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.

On the sale of Goalstriker, R G Reason gifted back to the Company 750,000 new ordinary shares and 750,000 deferred shares which have been cancelled.

At the year end there were 121,875 (2005 - 365,625) options outstanding at an exercise price of 82.05p per share, which vested in April 2005, and are exercisable up to April 2012.

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

	Number of options	Date of grant	Exercise price	Exercise period	
				Start	End
S S G Hayes	243,750	April 2002	82.05p	April 2005	April 2012
P D Foster	121,875	January 2004	31.18p	January 2007	January 2014
R G Reason	609,375	January 2004	31.18p	January 2007	January 2014

# NEWMARKET INVESTMENTS PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

### 18 Statement of movements on reserves

<b>The Group</b>	<b>Share premium account £'000</b>	<b>Capital redemption reserve £'000</b>	<b>Merger reserve £'000</b>	<b>Profit and loss account £'000</b>
Balance at 1 April 2005	117	392	803	(1,826)
Loss for the year	-	-	-	(1,834)
On shares cancelled during the year (note 17)	-	187	-	-
Transfer between profit and loss account reserve and merger reserve	-	-	(803)	803
Balance at 31 March 2006	<u>117</u>	<u>579</u>	<u>-</u>	<u>(2,857)</u>

The cumulative amount of goodwill written off at 31 March 2006 is £210,000 (2005 - £210,000).  
This goodwill would be charged to the profit and loss account on subsequent disposal of the business to which it relates.

<b>The Company</b>	<b>Share premium account £'000</b>	<b>Capital redemption reserve £'000</b>	<b>Merger reserve £'000</b>	<b>Profit and loss account £'000</b>
Balance at 1 April 2005	117	392	945	447
Loss for the year	-	-	-	(4,263)
On shares cancelled during the year (note 17)	-	187	-	-
Transfer between profit and loss account reserve and merger reserve	-	-	945	945
Balance at 31 March 2006	<u>117</u>	<u>579</u>	<u>-</u>	<u>(2,871)</u>

### 19 Reconciliation of movements in shareholders' funds

	<b>2006 £'000</b>	<b>2005 £'000</b>
Loss for the financial year	(1,834)	(1,152)
Other recognised gains and losses	-	(91)
Proceeds from issue of shares	-	1,233
Movements on other reserves	(945)	-
Cost of share issue written off to share premium account	-	(138)
Net (depletion in)/addition to shareholders' funds	(1,784)	(148)
Opening shareholders' funds	1,861	2,009
Closing shareholders' funds	<u>27</u>	<u>1,861</u>

# NEWMARKET INVESTMENTS PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

### 20 Financial commitments

At 31 March 2006 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2007:

	Land and buildings			Other
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Between two and five years	6	31	1	12
	<u>6</u>	<u>31</u>	<u>1</u>	<u>12</u>

### 21 Directors' emoluments

	2006	2005
	£'000	£'000
<b>The Group</b>		
Emoluments for qualifying services	124	230
Company pension contributions to money purchase schemes	12	20
	<u>136</u>	<u>250</u>

	2006	2005
	£'000	£'000
<b>The Company</b>		
Emoluments for qualifying services	124	100
Company pension contributions to money purchase schemes	12	20
	<u>136</u>	<u>120</u>

During the year, the Company was paying pension contributions into a self-invested personal pension on behalf of 1 director (2005 - 1).

Emoluments disclosed above include the following amounts paid to the highest paid director, Mr R G Reason:

	2006	2005
	£'000	£'000
Emoluments for qualifying services	64	100
Company pension contributions to money purchase schemes	12	20
	<u>76</u>	<u>120</u>

# NEWMARKET INVESTMENTS PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

### 22 Employees

#### The Group

##### Number of employees

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

	<b>2006 Number</b>	<b>2005 Number</b>
Administration	12	12
Sales and distribution	6	6
	<u>18</u>	<u>18</u>

##### Employment costs

	<b>2006 £'000</b>	<b>2005 £'000</b>
Wages and salaries	499	629
Social security costs	39	58
Other pension costs	13	20
	<u>551</u>	<u>707</u>

#### The Company

##### Number of employees

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

	<b>2006 Number</b>	<b>2005 Number</b>
Administration	7	7
	<u>7</u>	<u>7</u>

##### Employment costs

	<b>2006 £'000</b>	<b>2005 £'000</b>
Wages and salaries	108	113
Social security costs	5	9
Other pension costs	7	9
	<u>120</u>	<u>131</u>

# NEWMARKET INVESTMENTS PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

### 23 Financial instruments

Short term debtors and creditors (other than the director's loan account) have been excluded from all the following disclosures, other than the currency risk disclosures.

#### *Interest rate risk profile*

The group has no interest-bearing short term financial liabilities other than bank overdrafts and the director's loan account. Interest on the overdraft is calculated on a floating rate basis at 2.5% over bank base rate, and interest on the director's loan is calculated at 15%.

#### *Currency exposures*

The Group's currency exposure arises from income from debentures in GWIN Inc, which is denominated in US\$.

#### *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.

At 31st March 2006, 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 (2005: US\$ 9,739) and liabilities of €nil (2005: €5,627).

#### *Fair value of financial assets and liabilities*

The disclosure below excludes short term debtors and creditors.

	Book value and fair value	
	2006	2005
	£'000	£'000
<i>Current assets</i>		
Cash at bank	58	148
Fixed asset investments	29	95
<i>Current liabilities</i>		
Bank overdraft	-	(153)
Director's loan account	-	(120)
	<u>87</u>	<u>(30)</u>

The fair value of the shares in GWIN Inc is their market value at 31st March 2006.

At 31st March 2006 the Group had an undrawn committed borrowing facility available of £50,000 (2005: £100,000), renewable in September 2006.

# NEWMARKET INVESTMENTS PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) *FOR THE YEAR ENDED 31 MARCH 2006*

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### **24 Related party transactions**

During the year there was a balance due to R G Reason in respect of monies advanced to Goalstriker Group Limited. At the date of disposal of Goalstriker this amounted to £263,588 (2005 - £119,673. Interest of £23,916 (2005 - £11,337) was charged to the profit and loss account in respect of this loan and added to the outstanding balance. Interest was payable at the rate of 15% per annum on the outstanding balance. The loan was secured by a fixed and floating charge over the assets of Goalstriker Group Limited.

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.