

Financial Statements Weatherbys Ltd

For the year ended 31 December 2017



Company No. 00526599

Weatherbys Ltd

Financial statements for the year ended 31 December 2017

Company information

Company registration number: 00526599

Registered office: Sanders Road
WELLINGBOROUGH
Northants
NN8 4BX

Directors: J R Weatherby
R N Weatherby
N D Craven
A S McGlynn
G W Ayres
C G Coles
P S G Davis
D W Lister
J M Griggs
J P O'Reilly

Secretary: A S McGlynn

Bankers: Svenska Handelsbanken AB
10 Waterside Way
Northampton
NN4 7XD

Weatherbys Bank Limited
Sanders Road
WELLINGBOROUGH
Northants
NN8 4BX

Solicitors: Pinsent Masons
30 Crown Place
LONDON
EC2A 4ES

Auditor: Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Victoria House
199 Avebury Boulevard
CENTRAL MILTON KEYNES
MK9 1AU

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Directors' report

The directors present their report together with the financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year after taxation was £812,542 (2016 - £1,147,038). The directors proposed and paid a dividend of £nil (2016 - £nil).

Directors

The directors who served the company during the year were as follows:

J R Weatherby
N D Craven
R N Weatherby
A S McGlynn
C G Coles
G Ayres
D W Lister
P S G Davis
R Murphy (resigned on 20 February 2017)
A J Carter (resigned on 28 July 2017)
J M Griggs (appointed on 1 October 2017)
J P O'Reilly (appointed on 1 September 2017)

Employment of disabled persons

During the year full and fair consideration was given to applications for employment from disabled persons and to the training, career development and promotion of disabled persons.

Employee participation

It is the company's policy to consult regularly with employees on matters which affect their employment and that their views should be taken into account when decisions are taken which will affect their interest.

Financial risk management objectives and policies

The company's principal financial instruments comprise cash, bank borrowings 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 provide finance for the business's operations.

The existence of these financial instruments exposes the company to a number of financial risks. The main risks arising are liquidity risk, interest rate risk, currency risk and credit risk. The directors, in conjunction with the corporate governance committee, review and agree policies for managing each of these risks and they are summarised on the following page.

Directors' report (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by overdraft facilities and a revolving credit facility with our bankers.

Interest rate risk

The company finances its operations in part through bank borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed by both fixed and variable rate facilities.

Currency risk

The group is not materially exposed to transaction foreign exchange risk, with the majority of business conducted with customers and suppliers based in the United Kingdom. Although a formal policy of hedge accounting has not been adopted, if considered necessary, transaction exposures, including those associated with forecast transactions, would be hedged when known, principally using forward currency contracts.

Credit risk

The company seeks to manage its credit risk by dealing with established customers or otherwise checking the credit-worthiness of new customers, establishing clear contractual relationships with those customers, and identifying and addressing any credit issues arising in a timely manner.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws); including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

Directors' report (continued)

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors 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 auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Future developments

The company will continue to provide professional and commercial services to horseracing. This will include further digital and online progression, presenting information to clients in a modern, flexible and dynamic way. Opportunities for business diversification, both within the equine sector and beyond, will also be further explored to increase revenue and profitability.

Research and development

The company has now completed the largest software project it has ever undertaken. NRAS (New Racing Administration System), known previously as "Delphic" provides the underpinning system for delivery of contracted services to the British Horseracing Authority. The administrative services provided by Weatherbys are characterised by accuracy, flexibility, reliability and innovation. The software renewal project was complex, extensive and challenging, but there is now a stable platform suited to the increasing demands from the racing industry. There will continue to be a strong focus on deploying new technology to further enable efficiency and innovation across all parts of the company's activity.

Post balance sheet events

There have been no significant events affecting the Company since year end.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board on

8th June

2018 and signed on its behalf.

BY ORDER OF THE BOARD


A S McGlynn
Secretary

Strategic report

Principal activities and business review

The principal activity of the business during the year remained provision of services to British Horseracing. In part, this is through the contract with the sport's governing body, the British Horseracing Authority (BHA) which is responsible for approximately one third of total annual revenue. This contract was renewed for a minimum 10-year term in 2011. At the end of 2017, the parties had the right to serve 3-year notice on the contract, but at the date of signing these accounts, that notice had not been initiated. Meeting the challenging demands of the contract remains a high priority. 25% of employees are directly responsible for the delivery of services to the BHA.

The company also continued to perform a wide range of other services, mostly, but not exclusively, connected with horseracing. This included racecard production, thoroughbred pedigree research, ticketing, book sales, advertising sales, printing and design. The company's in-house IT team continued to provide operational, security and software development services for the whole Weatherbys organisation.

Pre-tax profit in 2017, at £1,011,067 was £208,376 (17%) lower than the previous year. Turnover rose by £75,806 (0.5%) on prior year to £15,619,180. 95% of turnover relates to trading in the United Kingdom.

Accounting standard FRS102 applies to these financial statements. This provides for recognition of the group defined benefit pension scheme and its deficit valuation. The scheme's gross deficit calculation reduced from £24.7m to £19.6m in 2017 and the recovery plan following the last triennial actuarial valuation continued to be applied. The defined benefit scheme was closed to future benefit accrual in April 2016.

The average number of staff employed by the company in 2017 was 206, which was 8% lower than previous year. The principal reduction was in IT staffing (down by 36%) following completion of the NRAS software project. Staff costs represent 52% of business costs.

Although 2017 was a challenging year for the business in terms of profit, excluding pension deficit liability and related deferred tax asset, the company's net assets rose slightly to £6m. The Board would like to thank employees for their diligence, imagination and commitment during the year.

Principal risks and uncertainties

The signing of the new 10-year contract with the BHA on 18 May 2011, did bring certainty to the core activity of the business. This contract remains responsible for approximately one third of total company revenue and the direct employment of 50 staff. From the end of 2017, the parties (BHA and Weatherbys) were entitled to serve contractual 3-year notice, and although at the time of signing these statements that had not been done, the company is making extensive preparation for future relationship with the BHA.

Cost containment will be maintained, with rigorous assessment of business plans, budgets and capital expenditure to ensure profitable, sustainable and increasingly diversified revenue streams are engaged. Transition to digital business will continue to be a priority.

Strategic report (continued)

Key performance indicators

	2017	2016
Annual Revenue movement	0.5%	-0.9%
Gross Profit movement	- 10.7%	-3.6%
Operating Profit movement	- 16.8%	-10.1%
Operating Profit Margin	11.4%	13.8%
Headcount	206	225

Reductions in profit and an overall margin reduction to 11.4% reflected increased costs against a largely flat revenue position. Financial benefits from headcount reduction, achievable following completion of the principal software project, will be manifest in 2018. Nevertheless, the underlying business is strong and profitable, with an ambitious future outlook. The company continues to widen its portfolio of clients, expertise and business activities.

This report was approved by the Board and signed on their behalf.



A S McGlynn
Secretary



Independent auditor's report to the members of Weatherbys Ltd (registered number 00526599)

Opinion

We have audited the financial statements of Weatherbys Ltd (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.



Independent auditor's report to the members of Weatherbys Ltd (continued) (registered number 00526599)

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.



Independent auditor's report to the members of Weatherbys Ltd (continued) (registered number 00526599)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement as set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

A handwritten signature in black ink that reads "Grant Thornton UK LLP".

Malcolm A Gomersall
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes
Date:

Statement of Comprehensive Income for the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	3	15,619,180	15,543,374
Cost of sales		(11,248,973)	(10,648,115)
Gross profit		<u>4,370,207</u>	<u>4,895,259</u>
Administrative expenses		(5,652,824)	(5,651,768)
Other operating income		<u>3,067,979</u>	<u>2,903,467</u>
Operating profit	4	1,785,362	2,146,958
Income from shares in investments		5,467	29,883
Interest receivable and similar income	7	266	1,000
Interest payable and similar charges	8	(128,028)	(90,398)
Other finance charges	9	<u>(652,000)</u>	<u>(868,000)</u>
Profit on ordinary activities before taxation		1,011,067	1,219,443
Tax on profit on ordinary activities	10	<u>(198,525)</u>	<u>(72,405)</u>
Profit for the financial year		<u>812,542</u>	<u>1,147,038</u>
Gains and losses on defined benefit pension obligations		821,000	(14,904,000)
Deferred tax on defined benefit pension obligations (including £Nil (2016 - £153,000) in respect of change of tax rate)		(140,000)	2,380,680
Return on plan assets (excluding amounts included in other finance charges)		3,309,000	4,828,000
Deferred tax on return on plan assets		<u>(563,000)</u>	<u>(821,000)</u>
Total comprehensive income for the year attributable to the parent's owners		<u>4,239,542</u>	<u>(7,369,282)</u>

All amounts relate to continuing operations.

The notes on pages 15 to 33 form part of these financial statements.

Statement of Changes in Equity for the year ended 31 December 2017

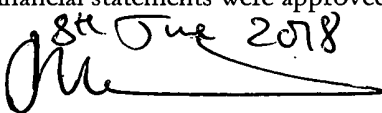
	Called-up share capital £	Retained earnings £	Total £
At 1 January 2016	100	(7,169,612)	(7,169,512)
Profit for the year	-	1,147,038	1,147,038
Other comprehensive income			
Movement attributable to the profit on the pension scheme	-	(14,904,000)	(14,904,000)
Deferred tax attributable to actuarial gain	-	2,380,680	2,380,680
Return on plan assets (excluding amounts included in other finance charges)	-	4,828,000	4,828,000
Deferred tax on return on plan assets	-	(821,000)	(821,000)
At 1 January 2017	100	(14,538,894)	(14,538,794)
Profit for the year	-	812,542	812,542
Other comprehensive income			
Movement attributable to the profit on the pension scheme	-	821,000	821,000
Deferred tax attributable to actuarial gain	-	(140,000)	(140,000)
Return on plan assets (excluding amounts included in other finance charges)	-	3,309,000	3,309,000
Deferred tax on return on plan assets	-	(563,000)	(563,000)
At 31 December 2017	100	(10,299,352)	(10,229,252)

The notes on pages 15 to 33 form part of these financial statements.

Statement of Financial Position as at 31 December 2017

	Note	2017	2016
		£	£
Fixed assets			
Tangible assets	11	2,010,548	2,678,812
Intangible assets	12	11,124,492	10,339,045
Investments	13	21,371	21,371
		<u>13,156,411</u>	<u>13,039,228</u>
Current assets			
Stock	14	20,114	31,029
Debtors	15	3,213,985	3,457,254
Cash at bank and in hand		891,819	399,816
		<u>4,125,918</u>	<u>3,888,099</u>
Creditors: amounts falling due within one year	16	<u>(4,720,718)</u>	<u>(3,508,136)</u>
Net current assets		(594,800)	379,963
Total assets less current liability		12,561,611	13,419,191
Creditors: amounts falling due after one year	17	(5,866,988)	(6,733,345)
Provisions for liabilities and charges	18	(680,405)	(705,170)
Net assets excluding pension scheme liability		6,014,218	5,980,676
Defined benefit pension scheme liability	22	(19,653,000)	(24,721,000)
Deferred tax related to the defined benefit obligation	22	3,339,530	4,201,530
Net liabilities including pension scheme liability		<u>(10,299,252)</u>	<u>(14,538,794)</u>
Capital and reserves			
Called up share capital	19	100	100
Profit and loss account		(10,229,352)	(14,538,894)
Shareholders' deficit		<u>(10,299,252)</u>	<u>(14,538,794)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on


J R Weatherby
Director

Date:

Registration number: 00526599

The notes on pages 15 to 33 form part of these financial statements.

Notes to the financial statements

1 Accounting policies

1.1 Statement of compliance

Weatherbys Ltd ("the company") is a private limited company domiciled and incorporated in England. The entity is registered at Sanders Road, Wellingborough, Northants, NN8 4BX.

The principal activity of the business during the year remained the provision of services to British Horse racing, through its contract with the sport's governing body, the British Horse racing Authority (BHA).

1.2 Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 and with the Companies Act 2006. The financial statements have been prepared under the historical cost basis as modified by the revaluation of freehold property and in accordance with applicable accounting standards.

The financial statements are presented in Sterling (£).

1.3 Going concern

The directors have prepared forecasts which consider the working capital needs of the business for the twelve months subsequent to the signing of the financial statements and have concluded that based upon the existing funding facilities available, the company will be able to meet its liabilities as they fall due.

On this basis the directors consider the company will continue in operational existence for the foreseeable future and accordingly the directors consider it appropriate to prepare the financial statements on a going concern basis.

1.4 Basis of consolidation

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 from preparing consolidated accounts on the basis that its parent company, Weatherbys Thoroughbred Holdings Limited, produces consolidated accounts which are publicly available at Companies House. The financial statements therefore present information about this company as an individual undertaking and not about its group.

1.5 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Sale of goods

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer.

Rendering of services

Turnover from the rendering of services is recognised when the company has performed its obligations.

Notes to the financial statements (continued)

1 Accounting policies (continued)

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Plant and machinery	3 – 5 years
Office equipment	3 – 10 years
Fixtures and fittings	3 – 10 years

1.7 Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

Software development costs: 5 - 20 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

If the net fair value of the identifiable assets and liabilities acquired exceeds the cost of a business combination, the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in profit or loss in the periods expected to be benefitted.

Assets in course of construction are not amortised until they are ready for use.

Notes to the financial statements (continued)

1 Accounting policies (continued)

1.8 Investments

Investments in joint ventures are valued at cost less provision for impairment. Equity investments (other than in shares of subsidiaries or joint ventures) are carried at fair value through profit and loss provided fair values can be measured reliably. Where fair value cannot be measured reliably, equity investments are carried at cost less impairment.

1.9 Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the company recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis

1.10 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Stock is valued on first in first out basis which comprises direct costs and where appropriate a proportion of production overheads. Net realisable value is based upon estimated selling price less all further costs to completion and relevant marketing, selling and distribution costs.

Stock transferred to third parties under consignment arrangement is held in the company's statement of financial position until substantially all of the risks and rewards of ownership have been transferred.

1.11 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. Timing differences result from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is recognised on carried forward tax losses based upon a detailed five year forecast prepared by management.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Notes to the financial statements (continued)

1 Accounting policies (continued)

1.12 Foreign currencies

Transactions denominated in foreign currencies are translated at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated at the rates ruling at the date. These translation differences are dealt with in the profit and loss account.

1.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment

1.14 Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.15 Retirement benefits

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

The company also operates a defined benefit pension scheme and the pension charge is based on a full actuarial valuation dated 31 December 2015 updated to 31 December 2017 under the provisions of FRS 102.

Pension costs relate to contributions to the Weatherbys Pension and Assurance Scheme, a pension scheme which has two elements providing benefits based on final pensionable pay for some members and benefits based on contributions paid for other members.

The company is a member of a group defined benefit pension plan that shares risks between entities under common control. Under previous UK GAAP this scheme was accounted for as a defined contribution scheme. Under FRS 102, as the company is the sponsoring employer and therefore legally responsible for the plan, it has recognised the plan in its individual financial statements. The pension charge is based on a full actuarial valuation dated 31 December 2015 updated to 31 December 2017 under the provisions of FRS102.

1.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Notes to the financial statements (continued)

1 Accounting policies (continued)

1.17 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.18 Income from investments

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

1.19 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Sources of estimation uncertainty include the calculation of the defined benefit pension obligation and the actuarial assumptions for growth and discount rates used for this purpose. Key assumptions in relation to the pension scheme have been disclosed in note 22.

Software development costs are capitalised in accordance with the accounting policy given above. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility of the project is confirmed. Management makes use of an estimated charge-out rate when determining what amounts should be capitalised.

The company establishes a reliable estimate of the useful life of software development. This estimate is based on a variety of factors such as the expected use of software, the expected usual life of the contract to which the software relates and any legal, regulatory or contractual provisions that can limit useful life.

2 Disclosure exemptions

The individual accounts of Weatherbys Ltd have also adopted the following disclosure exemptions as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirement to present a statement of cash flows and related notes (Section 7),
- key management personnel disclosure (Section 33 Related Party Disclosures paragraph 33.7),
- financial instrument disclosures (Section 11 Financial Instruments paragraphs 11.39 to 11.48A), including:
 - categories of financial instruments
 - items of income, expenses, gains or losses relating to financial instruments, and exposure to and management of financial risks.

This information is included in the consolidated financial statements of Weatherbys Thoroughbred Holdings Limited as at 31 December 2017 and these financial statements may be obtained from Companies House.

Notes to the financial statements (continued)

3 Turnover

Turnover represents the amount derived from the provision of goods and services which fall within the company's ordinary activities stated net of value added tax. Turnover can be analysed by geographical destination as follows:

	2017 £	2016 £
United Kingdom	14,854,925	14,840,001
Rest of Europe	568,608	520,450
Rest of the World	195,647	182,923
	<u>15,619,180</u>	<u>15,543,374</u>

4 Operating profit

Operating profit is stated after charging / (crediting):

	2017 £	2016 £
Research and development expenditure written off	157,133	264,516
Auditor's remuneration:		
- Audit services	18,780	18,780
- Taxation	7,650	7,650
Foreign exchange (gains)/ losses	2,101	(3,178)
Depreciation (owned assets)	980,614	762,697
Amortisation	739,589	485,027
Rentals under operating leases:		
- Plant and machinery	233,435	146,293
- Land and buildings	405,751	374,093

5 Staff costs

Staff costs including directors' remuneration were as follows:

	2017 £	2016 £
Wages and salaries	7,911,170	8,740,787
Social security costs	799,743	794,145
Pension costs	77,249	92,419
	<u>8,788,162</u>	<u>9,627,351</u>

The average number of staff employed by the company during the financial period amounted to:

	2017 No	2016 No
Administration of racing	50	61
General operational administration	57	39
Commercial services	53	53
IT	46	72
	<u>206</u>	<u>225</u>

Notes to the financial statements (continued)

6 Directors' remuneration

Remuneration in respect of directors was as follows:

	2017 £	2016 £
Emoluments	1,686,503	1,445,044
Pension contributions to money purchase pension schemes	92,172	100,637
	<u>1,778,675</u>	<u>1,545,681</u>

During the year retirement benefits were accruing to seven directors (2016 - four) in respect of defined contribution pension schemes and three directors (2016 – three) participated in defined benefit pensions scheme.

The highest paid director received remuneration of £380,715 (2016 - £319,319).

7 Interest receivable

	2017 £	2016 £
Bank deposit interest	<u>266</u>	<u>1,000</u>

8 Interest payable

	2017 £	2016 £
Bank interest payable	119,028	81,375
Interest payable to group undertakings	9,000	9,023
	<u>128,028</u>	<u>90,398</u>

9 Other finance (charges)/income

	2017 £	2016 £
Current service cost	-	(122,000)
Net interest on pension scheme liabilities	(652,000)	(526,000)
Losses on curtailments	-	(342,000)
	<u>(652,000)</u>	<u>(990,000)</u>

Notes to the financial statements (continued)

10 Taxation

	2017 £	2016 £
Analysis of tax charge in the year		
Current tax		
Corporation tax payable at 19.25% (2016: 20%)	64,290	-
Adjustments in respect of prior periods	73,330	29,707
Total current tax	137,620	29,707
Deferred tax		
Origination and reversal of timing differences	140,194	77,381
Adjustments in respect of prior periods	(79,289)	(380)
Effect of tax rate change on opening balances	-	(34,303)
Tax on profit on ordinary activities	198,525	72,405

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	1,011,067	1,219,443
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	194,596	243,889
Effects of:		
Expenses not deductible for tax purposes	27,554	27,330
Dividends receivable not subject to tax	-	(5,977)
Adjustments to tax charge in respect of prior periods	(5,959)	29,327
Other adjustments	93,645	5,454
Effect of change of tax rates	(111,311)	(227,618)
Total tax charge for the year (see note above)	198,525	72,405

Factors that may affect future tax charges

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date..

Notes to the financial statements (continued)

11 Tangible fixed assets

	Fixtures and fittings £	Plant and machinery £	Office equipment £	Total £
Cost or valuation				
At 1 January 2017	2,478,174	563,495	3,372,530	6,414,199
Additions	4,354	44,167	275,461	323,982
Disposals	-	(45,194)	(105,316)	(150,510)
At 31 December 2017	<u>2,482,528</u>	<u>562,468</u>	<u>3,542,675</u>	<u>6,587,671</u>
Depreciation				
At 1 January 2017	1,598,439	445,756	1,691,193	3,735,388
Additions	241,701	42,057	696,856	980,614
Disposals	-	(34,351)	(104,527)	(138,878)
At 31 December 2017	<u>1,840,140</u>	<u>453,461</u>	<u>2,283,522</u>	<u>4,577,123</u>
Net book value				
At 31 December 2017	<u>642,388</u>	<u>109,007</u>	<u>1,259,153</u>	<u>2,010,548</u>
Net book value				
At 31 December 2016	<u>879,736</u>	<u>117,740</u>	<u>1,681,336</u>	<u>2,678,812</u>

Notes to the financial statements (continued)

12 Intangible fixed assets

	Assets in course of construction	Computer software	Total
	£	£	£
Cost			
At 1 January 2017	831,996	11,091,340	11,923,336
Additions	1,525,036	-	1,525,036
Transfers	(2,228,070)	2,228,070	-
At 31 December 2017	128,962	13,319,410	13,448,372
Depreciation and impairment			
At 1 January 2017	-	1,584,291	1,584,291
Charge for the year	-	739,589	739,589
At 31 December 2017	-	2,323,880	2,323,880
Net book amount at 31 December 2017	128,962	10,995,530	11,124,492
Net book amount at 31 December 2016	831,992	9,507,053	10,339,045

Amortisation of intangible fixed assets is included in cost of sales.

The NRAS (New Racing Administration System) project is a software delivery project and has been developed to manage the horse racing administration function for the British Horseracing Authority (BHA).

The net book value of the software capitalised as at 31 December 2017 was £11,124,492 which is due to be written down over a remaining period of 13 years.

13 Fixed asset investments

	Investment in joint venture	Other investments	Shares in subsidiary undertakings	Total
	£	£	£	£
Cost and net book value				
At January 2017	11,286	10,000	85	21,371
Additions	-	-	-	-
At 31 December 2017	11,286	10,000	85	21,371

Notes to the financial statements (continued)

13 Fixed asset investments (Continued)

At 31 December 2017 the company held more than 20% of the allotted share capital of the following undertakings:

Subsidiary undertakings	Country of incorporation	Class of share capital held	Proportion held		Nature of business
			by parent company	by the group	
Weatherbys GSB Limited	England	Ordinary	-	100%	The administration of thoroughbred horse registration.
Weatherbys Solutions Ltd	England	Ordinary	-	100%	Non-trading
The Point-to-Point Racing Company Limited	England	Ordinary	-	50%	The production, publication and provision of information

14 Stock

	2017 £	2016 £
Raw materials and consumables	<u>20,114</u>	<u>31,029</u>

Stock recognised in cost of sales during the year as an expense was £77,072 (2016 - £83,101).

There is no material difference between the year-end value of stocks and their replacement costs.

Notes to the financial statements (continued)

15 Debtors

	2017 £	2016 £
Trade debtors	1,254,783	1,253,181
Amounts owed by subsidiary undertakings	-	20,678
Amounts owed by parent undertakings	875,175	875,175
Amounts owed by related undertakings	161,023	91,508
Corporation tax	129,672	232,428
Other debtors	81,570	205,081
Prepayments and accrued income	711,762	779,203
	<u>3,213,985</u>	<u>3,457,254</u>

An impairment loss of £3,550 (2016 - £6,800) has been recognised against trade debtors.

16 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	749,854	1,480,391
Amounts owed to subsidiary undertakings	760,683	287,097
Social security and other taxes	533,643	370,459
Other creditors	747,643	211,303
Bank loans	1,228,731	-
Accrued and deferred income	619,218	1,158,886
Finance Lease	80,946	-
	<u>4,720,718</u>	<u>3,508,136</u>

17 Creditors: amounts falling due after more than one year

	2017 £	2016 £
Bank loans	2,571,269	3,500,000
Amounts due to subsidiary undertakings	3,158,220	3,158,220
Finance commitments	137,499	75,125
	<u>5,866,988</u>	<u>6,733,345</u>

The bank loans are held with Svenska Handelsbanken AB and are as follows:

Facility 1

A revolving credit facility with a maximum utilisable facility of £3,500,000, reducing to £3,000,000 at 31 December 2017, £2,000,000 at 31 December 2018 and £nil at 31 March 2019. The interest rate payable is based on LIBOR plus a margin of 2.86% and security is provided against the facility via a company debenture.

Notes to the financial statements (continued)

Facility 2

A revolving credit facility with a maximum utilisable facility of £1,000,000, the facility is repayable on quarterly basis £62,500. The facility accrues interest at 3.23% over LIBOR and security is provided against the facility via a company debenture.

18 Deferred taxation

	2017 £	2016 £
At beginning of year	705,170	617,610
(Credit)/ charge for year	(24,765)	87,560
At end of year	<u>680,405</u>	<u>705,170</u>

The company's provision for deferred taxation consists of the tax effect if timing differences in respect of:

	2017 £	2016 £
Difference between depreciation and capital allowances	680,405	705,170
Other timing differences	-	-
	<u>680,405</u>	<u>705,170</u>

19 Share capital and reserves

	2017 £	2016 £
Authorised ordinary share capital:		
10,000,000 Ordinary shares of £1 each	<u>10,000,000</u>	<u>10,000,000</u>
Allotted, called up and fully paid		
100 Ordinary shares of £1 each – unpaid	<u>100</u>	<u>100</u>

All shares have equal voting and dividend rights.

Called-up share capital – represents the nominal value of shares that have been issued.

Profit and loss account – includes all current and prior period retained profits and losses.

Notes to the financial statements (continued)

20 Contingent liabilities

The company had no contingent liabilities at 31 December 2017 or 31 December 2016.

21 Capital commitments

The company had no capital commitments at 31 December 2017 or 31 December 2016.

22 Pension commitments

Defined benefit pension scheme.

The company is a participating employer in the Weatherbys Pension and Assurance Scheme that shares risks between entities under common control. This pension scheme has a defined benefit section, providing benefits based on final pensionable pay and a defined contribution section.

The scheme is subject to triennial actuarial valuation. The last valuation was carried out and reported as at 31 December 2015, with these results having been updated to 31 December 2017 under the provisions of Financial Reporting Standard 102 by a qualified independent actuary using approximate actuarial techniques and available information.

Following the actuarial valuation of the Weatherbys Pension & Assurance Scheme as at 31 December 2015 the Company agreed a new recovery plan with Pension Trustees, to recover the Scheme's deficit. From 1 July 2017, an increased fixed contribution of £1.092m p.a was introduced for a period of 12 years and 6 months (thereby ending on 31 December 2029, the end date of the previous recovery plan). Such payment will be paid in monthly instalments and escalated on 1 January each year by 3.0% pa. Additionally, a one-off profit related contribution of 7.5% of 2016 profits was paid in August 2017. From 1 January 2020, additional contributions of £0.32m pa will commence, payable in monthly instalments for a period of 10 years (ending 31 December 2029). Payments will increase on a cumulative basis on 1 January each year by 3.0%.

Notes to the financial statements (continued)

22 Pension commitments (continued)

The amounts recognised in the statement of financial position are as follows:

	2017 £'000	2016 £'000
Present value of funded obligations	(78,644)	(79,534)
Fair value of scheme assets	58,991	54,813
Deficit in scheme	(19,653)	(24,721)
Related deferred tax asset	3,340	4,202
Net liability	(16,313)	(20,519)

The amounts recognised in the profit and loss for the year are as follows:

	2017 £'000	2016 £'000
Current service cost	-	122
Curtailment	-	342
Net interest cost	652	526
	652	990

Movements in the present value of the defined benefit obligation were as follows:

	2017 £'000	2016 £'000
Opening defined benefit obligation	79,534	66,131
Current service cost	-	122
Interest expense	2,211	2,461
Contributions by plan participants	-	57
Actuarial losses/(gains)	(821)	14,904
Benefits paid	(2,280)	(4,483)
Curtailments	-	342
Closing defined benefit obligation	78,644	79,534

Notes to the financial statements (continued)

22 Pension commitments (continued)

Changes in the fair value of scheme assets were as follows:

	2017 £'000	2016 £'000
Opening fair value of scheme assets	54,813	50,859
Interest income	1,559	1,935
Return on plan assets in excess of interest income	3,309	4,828
Contributions by the Company	1,590	1,617
Contributions by plan participants	-	57
Benefits paid	2,280	(4,483)
Closing fair value of scheme assets	58,991	54,813

The actual return on the scheme assets over the period ended 31 December 2017 was £4,868,000.

Principal actuarial assumptions at the Statement of financial position date (expressed as weighted averages):

	2017 %	2016 %
Discount rate	2.75	2.82
Rate of increase in salaries	n/a	n/a
RPI inflation	3.10	3.25
CPI inflation	2.10	2.25
LPI pension increases (capped at 5% pa)	3.00	3.15
LPI pension increases (capped at 2.5% pa)	2.15	2.20
Mortality projection basis	CMI 2017 (core) projection basis with 1% pa long term rate of improvement	CMI 2016 (core) projection basis with 1% pa long term rate of improvement
Life Expectancies:		
Male pensioner retiring in 2017	21.8	21.9
Female pensioner retiring in 2017	23.6	23.7
Male pensioner retiring in 2037	22.8	22.9
Female pensioner retiring in 2037	24.8	24.9

Notes to the financial statements (continued)

22 Pension commitments (continued)

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2017 %	2016 %
UK Equities	10.00	22.50
Overseas Equities	13.00	34.00
Corporate Bonds	19.00	17.00
Government Bonds	5.00	8.50
Index-linked Bonds	0.00	2.00
Property	0.00	7.00
Diversified growth funds	50.00	0.00
Cash	3.00	7.00
Other	0.00	2.00

Amounts for the current and previous four periods are as follows

Defined benefit pension schemes

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Defined benefit obligation	(78,644)	(79,534)	(66,131)	(65,456)	(54,966)
Scheme assets	58,991	54,813	50,859	48,464	45,080
Deficit	<u>(19,653)</u>	<u>(24,721)</u>	<u>(15,272)</u>	<u>(16,992)</u>	<u>(9,886)</u>

23 Operating lease commitments

At the end of each year the Company had total minimum commitments under non-cancellable operating lease agreements as set out below:

	Land and buildings		Other	
	2017 £	2016 £	2017 £	2016 £
Expiry date:				
Within one year	17,410	327,406	46,687	46,687
Between two and five years	<u>26,115</u>	<u>43,525</u>	<u>56,081</u>	<u>102,768</u>

Notes to the financial statements (continued)

24 Hire purchase and finance lease

Minimum lease payment under hire purchase fall due as follows

	2017 £'000	2016 £'000
Within one year	80,946	-
Between 1-2 years	137,499	-
Between 2-5years	-	-
	<u>218,445</u>	<u>-</u>

25 Financial risk management

The principal risks facing the Company relate to the exposure to financial risks that arise from the existence of financial instruments the Company uses including cash, trade debtors, bank overdraft and trade creditors that arise directly from the Company's operations.

The main risk arising from the Company's financial instruments are liquidity risk, interest rate risk and credit risk. The Directors review and agree policies for managing each of these risks which are summarised below:

Liquidity risk

The Company seeks to manage finance risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest in cash assets safely and profitably.

Interest rate risk

The Company finances its operations through a mixture of bank borrowings. The Company exposure to interest rate fluctuations on its borrowings is managed by the use of fixed facilities.

Credit risk

The Company's principal financial assets are fixed assets and trade debtors. In order to manage credit risk, trade customers' debts are insured where possible using trade credit insurance. The Directors set limits for customers based on a combination of payment history, third party credit references and trade credit insurance limits. Credit limits are reviewed by the Company on a regular basis in conjunction with debt ageing and collection history.

26 Controlling related parties

The immediate and ultimate parent company is Weatherbys Thoroughbred Holdings Limited, a company registered in England and Wales.

The company's ultimate controlling related parties are the three Weatherby Family Settlements by virtue of their shareholdings.

The largest and smallest group of undertakings for which group financial statements have been drawn up is that headed by Weatherbys Thoroughbred Holdings Limited. Copies of the group financial statements can be obtained at Companies House.

Notes to the financial statements (continued)

27 Transactions with related parties

The following companies are under common control with Weatherbys Thoroughbred Limited:

Weatherbys Bank Limited
 Arkle Finance Limited

The Point-to-Point Racing Company Limited is a joint venture between the company and The Point-To-Point Authority Limited.

The following transactions occurred and balance were outstanding with these businesses:

	Weatherbys Bank Limited	Arkle Finance Limited	The Point-to-Point Racing Company Limited
	£	£	£
Year ended 31 December 2017			
Sales	-	-	-
Recharges received	2,042,572	481,446	151,767
Goods/services acquired	(309,996)	-	-
Deposit interest received	-	-	-
Balances within cash	144,712	-	-
Balances within debtors	-	-	-
Balances within creditors	-	-	-
Year ended 31 December 2016			
Sales	-	-	-
Recharges received	2,386,844	534,833	202,687
Goods/services acquired	(309,996)	-	-
Deposit interest received	215	-	-
Balances within cash	279,763	-	-
Balances within debtors	-	-	-
Balances within creditors	-	-	-

In addition to the above, the company, in the normal course of business, receives cash directly from the customers of The Point-to-Point Racing Company Limited which is then passed on in full to the related party. The total amount involved in the year was £360,778 (2016 - £357,849).