Registered no: 04274507

Ascot Authority (Holdings) Limited
Annual report and financial statements for the year ended 31 December 2016

Ascot Authority (Holdings) Limited

Annual report and financial statements for the year ended 31 December 2016

Strategic report for the year ended 31 December 2016

The directors present their strategic report on the Group for the year ended 31 December 2016.

Principal activities

The principal activities of the company and its subsidiaries (together "the Group") are to manage and operate Ascot Racecourse. Ascot Authority (Holdings) Limited is the holding company of the Group, providing strategic direction, supervision and coordination. Ascot Racecourse Limited is the principal operating company of the Group.

Review of the business

There were 26 racedays in 2016, including British Champions Day which Ascot hosts on behalf of British Champions Series Limited (2015: 26 racedays). Attendance decreased by 1% to 620,995 (2015: 626,691). This fall was due to a free race day being held on the February Saturday Jump meeting in 2015 which attracted an attendance of more than 30,000 compared to 12,000 in 2016. 13 of the 35 (2015: 13 of 35) UK Group One Flat races are held at Ascot over 18 racedays between April and October, of which four (2015: four) are on British Champions Day. Eight Jump racedays complete the programme during the rest of the year.

Group turnover increased from £75.1m in 2015 to £80.1m, an uplift of 6.7%, as a result of strong performance at both Royal Ascot and other racedays and improved income from media rights. On a like-for-like basis, turnover increased by £5.7m or 7.6% as a decision was taken to receive £696k of funding from the Horserace Betting Levy Board (HBLB) as a capital grant in 2016 rather than a revenue grant.

Attendance at Royal Ascot was 295,000 (2015: 293,000), with all enclosures being sold out on three out of the five days. There were increases of 10% in public raceday ticket income and 13% in hospitality income. This enabled the business to continue to invest in prize money, raceday operating expenses and capital expenditure to enhance the customer experience. The Total Prize Fund increased by £1.2m to £12.4m.

2016 was the third, and final, year of a joint arrangement with Red Bull under which Ascot hosted an air race at the racecourse. The Group's share of income and expenditure is included in the financial statements.

Catering services at the racecourse are provided under a commercial partnership with Sodexo; Ascot Racecourse Limited is treated as the principal in a principal/agent relationship for statutory accounting purposes. Ascot Racecourse Limited is also a 28% shareholder in British Champions Series Limited (BCS).

Profit before taxation was £5.1m (2015: £4.4m).

Profit for the financial year was £3.4m (2015: £6.7m). It should be noted that 2015 profit was inflated by the recognition of a £2.3m deferred tax asset.

A key financial measure for the Group is earnings before interest, tax, depreciation & amortisation (EBITDA), as this is an indicator of cash generated by the business to meet interest, loan repayments and investment in capital expenditure. The following table summarises EBITDA for the last three years:

	2016	2015	2014
	£'000	£'000	£'000
Operating profit	**9,905**	9,609	8,457
Add back net depreciation & amortisation (note 6)	**9,065**	9,086	8,476
EBITDA (excluding BCS)	**18,970**	18,695	16,933

Strategic report for the year ended 31 December 2016 (continued)

Review of business (continued)

EBITDA increased by £0.3m in 2016 (2015: £1.8m). As noted above, £696k of HBLB revenue was taken as a capital grant rather than as income. Adjusting for this, EBITDA increased by £1.0m on a like-for-like basis.

After meeting interest payable of £4.8m (2015: £5.0m) and capital expenditure of £4.8m (2015: £5.2m), the group repaid £6.65m (2015: £5m) of the bank loan, reducing the outstanding loan to £88.35m (2015: £95m).

The bank loan was restructured during the year and the repayment profile was amended to provide greater liquidity.

Major capital expenditure during the year included a new unsaddling area to improve equine welfare, enhancements to washroom facilities within part of the Grandstand, office renovations and an upgrade to the Royal Box.

At the year end the Group had net assets of £44.0m (2015: £41.3m). Net debt (see note 24) at 31 December 2016 was £71.8m (2015: £81.6m).

Key Performance Indicators (KPIs)

Turnover, EBITDA and profit are the key financial performance indicators used by the directors to monitor the performance of the business. Quality of racing and attendance are the key non-financial indicators used by management. Performance on these KPIs is described in the review of business above.

Environmental Impact

The Group is committed to ensuring that, as far as is reasonably practical, any detrimental effects of its activities upon the environment are minimised. No waste goes to landfill, all horse waste is composted and reused on site and mains water is not used to irrigate the course. As much waste as possible is recycled; including glass, wood, carpet, food and paper. In 2016, 70% (2015: 70%) by volume of all annual waste was recycled.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are:

(i) Economic factors and social trends may affect attendances on racedays and the levels of customer spend, the attractiveness and amount of racing at Ascot, and ultimately the level of net income generated. The costs and finances of the business are actively managed accordingly.

(ii) Abandonment of Royal Ascot. Partial insurance is taken out, appropriate to the level of risk.

The directors regularly review these risks and take mitigating actions when appropriate.

On behalf of the Board

J R Weatherby
Chairman

24/5/2017
Date

Directors' report for the year ended 31 December 2016

The directors present their report and the audited Group and parent company financial statements for the year ended 31 December 2016.

Results and dividends

The profit for the financial year was £3.4m (2015: £6.7m). The directors recommend the payment of a dividend of £30,000 to the Ascot Authority for the year ended 31 December 2016 (2015: £50,000). The dividend declared in 2015 was paid in 2016. The Group is wholly owned by the Ascot Authority, a not-for-profit Special Purpose Trust, which is responsible for furthering and promoting the welfare and prosperity of racing at Ascot. The dividend provides the Ascot Authority with funds to meet professional fees.

Directors

The directors of the company who held office during the year and up to the date of the signing of the financial statements, unless otherwise stated, were as follows:

Executive directors:
G Henderson (Chief Executive Officer)
A J M Warwick
J M Slot
I D McGregor

Non-executive directors:
J R Weatherby (Chairman)
M E T Davies
Sir Francis Brooke Bt.
G B Davison

Future developments

Royal Ascot (run over 5 days in June) has the highest attendance of all UK race meetings and the Group remains confident of the continued success of this key race meeting and of the business.

Consistent with the Ascot Authority's purpose, the Group is committed to significant investment in prize money and the racecourse facilities in order to retain its status as one of the world's premier sporting venues, and to continue to attract racegoers and leading horses, trainers and jockeys from both the UK and the rest of the world.

Ascot's facilities are host to a number of non-raceday events, including conferences, meetings, weddings, dinners and exhibitions. Jointly with third parties, the Group also arranges non-racing events such as the Luna Cinema.

The Group plans to maintain a focus on building raceday sales income and on developing non-raceday conference and events revenues as a source of future growth.

Financial risk management

The company's operations expose it to a variety of financial risks, including credit risk, liquidity risk and interest rate risk. The Group is not exposed to significant commodity price, debt market price or foreign exchange risks.

Financial risk management policies are approved by the board of directors, documented in the Group accounting procedures manual and implemented by the company's finance department. The directors also undertake regular reviews of a comprehensive risk register which deals with a number of financial and non-financial risks faced by the business.

Credit risk: The Group has some credit risk which it mitigates through robust credit control procedures.

Liquidity risk: The company and Group maintain a mixture of long-term debt finance and short-term cash balances to ensure the Group has sufficient available funds for operations and planned capital expenditure. The directors monitor and take appropriate action to ensure that bank loan covenants are met.

Interest rate risk: The company and Group have both interest bearing assets and interest bearing liabilities. The Group has a policy of maintaining the majority of debt at a fixed rate to ensure certainty of future cash flows due to interest payable. An interest rate hedge, for this purpose, is the only significant financial instrument that the Group has.

Directors' report for the year ended 31 December 2016 (continued)

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

Each of the persons who are directors at the date of approval of this report confirms that, so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and in accordance with section 487(2) of the Companies Act 2006 the auditors are deemed to be re-appointed for the next financial year.

On behalf of the Board

J R Weatherby
Chairman

24/5/2017
Date

Independent auditors' report to the members of Ascot Authority (Holdings) Limited

Report on the financial statements

Our opinion

In our opinion, Ascot Authority (Holdings) Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit and cash flows 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.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Consolidated and Company balance sheets as at 31 December 2016;
- the Consolidated profit and loss account and the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated statement of cash flows for the year then ended;
- the Consolidated statement of changes in equity and the Company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 Strategic Report and the Directors' report for the year ended 31 December 2016 for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report for the year ended 31 December 2016 have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the parent company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Ascot Authority (Holdings) Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Sam Taylor (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

25 May 2017.
Date

Consolidated profit and loss account for the year ended 31 December 2016

	Note	**2016 £'000**	2015 £'000
Turnover	5	**80,081**	75,068
Cost of sales		**(47,656)**	(44,488)
Gross profit		**32,425**	30,580
Administrative expenses		**(22,877)**	(21,312)
Other operating income	6	**357**	341
Operating profit	6	**9,905**	9,609
Income from interests in associated undertakings	12	**209**	100
Interest receivable and similar income		**111**	86
Interest payable and similar expenses	8	**(5,120)**	(5,407)
Profit before taxation		**5,105**	4,388
Tax on profit	9	**(1,694)**	2,275
Profit for the financial year		**3,411**	6,663

All results derive from continuing operations.

Profit for the financial year is all attributable to the owners of the parent.

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the company profit and loss account. The profit for the company for the year was £2,834,000 (2015: £3,007,000).

Consolidated statement of comprehensive income for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Profit for the financial year		**3,411**	6,663
Cash flow hedges:			
- Change in value of hedging instrument	18, 26	**(3,503)**	(959)
- Reclassifications to profit and loss	18, 26	**2,602**	2,699
Total tax on components of other comprehensive income/(expense)	9	**209**	(513)
Other comprehensive (expense)/income for the year, net of tax		**(692)**	1,227
Total comprehensive income for the year		**2,719**	7,890

Total comprehensive income for the financial year is all attributable to the owners of the parent.

Consolidated and Company balance sheets as at 31 December 2016

		Group		Company	
		2016	2015	**2016**	2015
	Note	**£'000**	£'000	**£'000**	£'000
Fixed assets					
Intangible assets	10	**457**	542	-	-
Tangible assets	11	**164,244**	169,599	-	-
Investments	29	-	-	**2,712**	2,712
		164,701	170,141	**2,712**	2,712
Current assets					
Stock	13	**332**	333	-	-
Debtors	14	**12,631**	10,682	**156,368**	162,823
Cash at bank and in hand		**15,082**	12,308	**13,279**	9,836
		28,045	23,323	**169,647**	172,659
Creditors – Amounts falling due within one year	15	**(33,529)**	(25,372)	**(24,932)**	(17,555)
Net current (liabilities)/assets		**(5,484)**	(2,049)	**144,715**	155,104
Total assets less current liabilities		**159,217**	168,092	**147,427**	157,816
Creditors – Amounts falling due after more than one year	16	**(87,189)**	(99,670)	**(87,189)**	(99,670)
Provisions for liabilities	19	**(2,669)**	(1,221)	-	-
Deferred credits	20	**(25,359)**	(25,870)	-	-
Net assets		**44,000**	41,331	**60,238**	58,146
Capital and reserves					
Called up share capital	21	**100**	100	**100**	100
Share premium account	22	**39,461**	39,461	**39,461**	39,461
Hedging reserve	22	**(7,464)**	(6,772)	**(7,464)**	(6,772)
Profit and loss account	22	**11,903**	8,542	**28,141**	25,357
Total shareholders' funds		**44,000**	41,331	**60,238**	58,146

The notes on pages 12 to 33 are an integral part of these financial statements.

The financial statements on pages 7 to 33 were approved by the board of directors and were signed on its behalf by:

J R Weatherby
Chairman
Ascot Authority (Holdings) Limited

Registered no: 04274507

24/5/2017
Date

Consolidated statement of changes in equity for the year ended 31 December 2016

	Called up share capital £'000	Share premium account £'000	Hedging reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
1 January 2015	**100**	**39,461**	**(7,999)**	**1,879**	**33,441**
Profit for the financial year	-	-	-	6,663	6,663
Other comprehensive income	-	-	1,227	-	1,227
Total comprehensive income	-	-	1,227	6,663	7,890
31 December 2015	**100**	**39,461**	**(6,772)**	**8,542**	**41,331**
Profit for the financial year	-	-	-	3,411	3,411
Other comprehensive expense	-	-	(692)	-	(692)
Total comprehensive income	-	-	(692)	3,411	2,719
Dividends	-	-	-	(50)	(50)
31 December 2016	**100**	**39,461**	**(7,464)**	**11,903**	**44,000**

Company statement of changes in equity for the year ended 31 December 2016

	Called up share capital £'000	Share premium account £'000	Hedging reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
1 January 2015	100	39,461	(7,999)	22,350	53,912
Profit for the financial year	-	-	-	3,007	3,007
Other comprehensive income	-	-	1,227	-	1,227
Total comprehensive income	-	-	1,227	3,007	4,234
31 December 2015	**100**	**39,461**	**(6,772)**	**25,357**	**58,146**
Profit for the financial year	-	-	-	2,834	2,834
Other comprehensive expense	-	-	(692)	-	(692)
Total comprehensive income	-	-	(692)	2,834	2,142
Dividends	-	-	-	(50)	(50)
31 December 2016	**100**	**39,461**	**(7,464)**	**28,141**	**60,238**

Consolidated statement of cash flows for the year ended 31 December 2016

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Net cash generated from operating activities	23		**19,700**		18,295
Cash flows from investing activities					
Purchase of intangible assets		**(220)**		(24)	
Purchase of tangible assets		**(5,509)**		(4,986)	
Proceeds from sale of tangible assets		**-**		37	
Interest received		**113**		86	
Repayment from/(loan to) associate	12	**172**		(22)	
Net cash used in investing activities			**(5,444)**		(4,909)
Cash flows from financing activities					
Interest paid on bank loan		**(2,167)**		(2,295)	
Settlements under interest rate swap		**(2,602)**		(2,699)	
Total Interest paid		**(4,769)**		(4,994)	
Bank fees paid		**(709)**		(55)	
Total Interest paid and similar charges		**(5,478)**		(5,049)	
Capital grants received	20	**696**		-	
Dividends paid		**(50)**		-	
Repayment of bank loans		**(6,650)**		(5,000)	
Net cash used in financing activities			**(11,482)**		(10,049)
Net increase in cash and cash equivalents			**2,774**		3,337
Cash and cash equivalents at the beginning of the year			**12,308**		8,971
Cash and cash equivalents at the end of the year			**15,082**		12,308

Cash and cash equivalents are all cash at bank and in hand.

Notes to the consolidated financial statements for the year ended 31 December 2016

1 General Information

Ascot Authority (Holdings) Limited ('the company') and its subsidiaries (together "the Group") manage and operate Ascot Racecourse as a racecourse and conference and events venue.

The company is a private company limited by shares and is incorporated in England. The address of its registered office is Ascot Racecourse, Ascot, Berkshire SL5 7JX and the financial statements are available at this address.

2 Statement of Compliance

The Group and individual financial statements of Ascot Authority (Holdings) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented.

(a) Basis of Preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

As permitted by section 408 of the Companies Act 2006, the company's profit and loss account has not been included in these financial statements.

(b) Going concern

After reviewing the Group's forecasts and projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

(c) Exemptions for qualifying entities under FRS 102

As permitted by FRS 102 paragraphs 1.11 and 1.12, having previously obtained shareholder approval to do so, the company has made use of the exemptions from:

(i) preparing a company statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows;

(ii) disclosing the company's key management personnel compensation, as required by FRS 102 paragraph 33.7.

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

3 Summary of significant accounting policies (continued)

(d) Basis of consolidation

The Group's consolidated financial statements include the financial statements of the company and all its subsidiary undertakings, listed in note 29, together with the Group's share of the results of its associate. Intra-Group sales, profits and balances are eliminated fully on consolidation. Uniform accounting policies have been applied within the Group.

Associate companies, where the Group has a participating interest and exerts a significant influence, are accounted for on an equity basis reflecting the Group's share of the profits and losses of the associate in the Group profit and loss account and the Group's share of the assets and liabilities of the associate in the Group balance sheet.

All subsidiaries and associates have a 31 December year end.

(e) Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes, from operating and managing the racecourse and its facilities.

Entrance money and hospitality income are recognised on the day of the event to which they relate. Annual membership, box rental and sponsorship income are spread over the term to which they relate. Differences between cash received and income recognised are included within deferred income or accrued income as appropriate.

The Group's turnover includes all sales of catering made directly by the company (fine dining and box catering) and by Sodexo, the Group's main catering agent (retail food and drink) together with commission received from other third party caterers.

Turnover includes Horserace Betting Levy Board revenue grants – see paragraph (l).

The Group's turnover includes a proportionate share of sales in respect of jointly operated events, such as the Red Bull Air Race.

(f) Intangible assets

Intangible assets are stated at the cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Software	3 to 5 years
Website development	3 to 5 years

If there is an indication that the residual value or useful life of an intangible asset has changed, the amortisation of that asset is revised prospectively to reflect the new expectations.

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

3 Summary of significant accounting policies (continued)

(g) Tangible fixed assets and depreciation

Tangible fixed assets are stated at the cost of purchase or construction less accumulated depreciation and impairment losses. Borrowing costs are not capitalised within the value of fixed assets.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned (or the length of the site lease where shorter), as follows:

Land and buildings	Lease term (currently 29 years remaining)
Plant, machinery, fixtures and fittings	5 to 20 years

Assets in course of construction are stated at cost. These assets are not depreciated until they are available for use. No depreciation is charged on freehold land.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(h) Impairment of assets

At each reporting date non-financial assets, such as intangible and tangible fixed assets, are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognised immediately in the profit or loss account.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate, but not in excess of the amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised. A reversal of an impairment loss is recognised in the profit and loss account.

(i) Borrowing costs

The cost of raising finance is recognised as a reduction in the value of the cash received, amortised over the forecast life of the debt, based on the carrying value of the debt, so as to produce a constant effective interest cost over the life of the debt.

(j) Investment in subsidiary undertakings and associates

Investments in subsidiary undertakings and associates are stated at cost plus incidental expenses less provision for any impairment in value.

(k) Stock

Stock, including bloodstock, is stated at the lower of cost and net realisable value.

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

3 Summary of significant accounting policies (continued)

(l) Deferred credits

The Horserace Betting Levy Board (HBLB) provides funding to racecourses which is used to support racing activities. Grants are earned from racing on a fixture-by-fixture basis. Racecourses may elect to waive the income in favour of a transfer to a capital credits account to be used, at the HBLB's discretion, against expenditure on HBLB approved capital projects.

Grants taken as revenue grants are recognised within turnover when the race meeting to which they relate is held.

Grants waived in favour of capital credits are accounted for when drawn, using the accruals method, as a deferred credit that is released to the profit and loss account, matched against the depreciation over the expected useful economic lives of the assets to which they relate.

(m) Leased assets

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term. The Group has no finance leases or hire purchase agreements.

(n) Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting year, reflected in either the profit and loss account or the statement of other comprehensive income depending on where the related item is recognised.

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the year or prior years using tax rates and laws that have been enacted or substantively enacted by the year end. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax, which arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements, is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Current or deferred tax assets and liabilities are not discounted.

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

3 Summary of significant accounting policies (continued)

(o) Employee benefits

The Group provides a range of benefits to employees including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans. Short term benefits, including holiday pay and similar non-monetary benefits, are recognised as an expense in the year in which the service is rendered.

The Group operates defined contribution pension plans for its employees, under which the Group pays fixed contributions into a separate entity. Once contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. The assets of the plans are held separately from the Group in independently administered personal pension funds.

The Group also has a defined benefit plan which is closed to both new entrants and contributions. The liability of this plan is calculated as the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the same date, using the projected unit credit method. As required by FRS102, the present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that have terms approximating to the estimated year of future payments.

The Group operates a number of annual bonus plans for employees and a long term incentive scheme in respect of some of the directors. An expense is recognised in the profit and loss account where the Group has a legal or constructive obligation to make payments under the plans as a result of past events.

(p) Financial Instruments

The Group has chosen to adopt Sections 11 and 12 of FRS102 in respect of financial instruments.

Basic financial instruments, including trade and other receivables and payables, bank loans and cash and bank balances are recognised at transaction price less transaction costs.

Derivatives, which are not basic financial instruments, are entered into for hedging purposes. Where sufficient documentation is in place, the Group applies hedge accounting for transactions entered into to manage the cash flow exposure of borrowings. Interest rate swaps are held to manage the interest rate exposure and are designated as cash flow hedges of floating rate borrowings. The swaps are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity via other comprehensive income. Any ineffectiveness in hedges is recognised in the profit and loss account.

(q) Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transaction on the Group financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

4 Significant judgements and accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Deferred tax (note 19) – At 31 December 2016 a net deferred tax liability of £1,977,000 (2015: £492,000) in respect of timing differences is recognised, comprising a provision for timing differences of £4,781,000 offset by £2,804,000 of deferred tax assets principally in respect of capital allowances not yet claimed in full and deferred tax on an interest rate swap. The directors recognise the deferred tax assets based upon future profit forecasts.

(ii) Tangible fixed asset lives (note 11) – The carrying value of tangible fixed assets, £164,244,000 at 31 December 2016 (2015: £169,599,000), requires the directors to make an estimate of the asset's useful economic lives and undertake an annual review for impairment. The estimated lives applied are detailed in note 3(g).

5 Turnover

The turnover is attributable to the principal activities of the Group and is derived wholly within the United Kingdom. Turnover is derived from only one class of business.

Revenue grants received from the Horserace Betting Levy Board (HBLB) and included within turnover were £2,225,000 (2015: £3,110,000). A capital grant of £696,000 (2015: £nil) was also received from the HBLB.

6 Operating profit

Operating profit is stated after charging/(crediting):	**2016 £'000**	2015 £'000
Staff costs:		
Wages and salaries	**6,550**	5,481
Social security costs	**760**	658
Other pension costs (note 26)	**315**	294
Long term employee benefits	**247**	242
Total Staff costs	**7,872**	6,675
(Profit) on disposal of tangible assets	**-**	(14)
Depreciation and amortisation:		
Amortisation of intangible assets (note 10)	**209**	182
Depreciation of tangible assets (note 11)	**10,063**	10,388
Amortisation of deferred credits (note 20)	**(1,207)**	(1,484)
Net depreciation and amortisation	**9,065**	9,086

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

6 Operating profit (continued)

Operating profit is stated after charging (continued):	2016 £'000	2015 £'000
Operating lease charges:		
Total operating lease charges – land & buildings	**198**	161
Auditors' remuneration:		
Fees payable to the company's auditors for the audit of the parent company and group's consolidated financial statements	**19**	21
Fees payable to the company's auditors and its associates for other services:		
- The audit of company's subsidiaries	**51**	60
- Tax advisory services	**6**	1
- Tax compliance services	**17**	19
- Other services	**10**	-
Total payable to the company's auditors and its associates	**103**	101

Other operating income

Other operating income comprises rental income of £357,000 (2015: £341,000).

7 Employees and directors

Employees

The average monthly number of persons (including directors) employed by the Group during the year was:

	2016 Number	2015 Number
Administration	**103**	89
Course and grounds and maintenance	**33**	30
	136	119

The company has no (2015: none) employees. A management charge is made to the company by Ascot Racecourse Limited to reflect the services provided by the directors and other staff as follows:

	2016 £'000	2015 £'000
Wages and salaries	**433**	454
Social security costs	**60**	63
	493	517

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

7 Employees and directors (continued)

Directors

The directors' emoluments were as follows:

	2016 £'000	2015 £'000
Aggregate emoluments	**1,388**	1,261
Company pension contributions to money purchase schemes	**51**	42
Aggregate amounts receivable under long-term incentive schemes	**247**	242
Compensation for loss of office	**-**	30
	1,686	1,575

The emoluments disclosed above represent the aggregate of all payments made or due to the directors of Ascot Authority (Holdings) Limited for their qualifying services to all companies within the Group. Post-employment benefits accrued to four directors (2015: four) under money purchase arrangements. Three directors are accruing benefits under a long-term incentive scheme (2015: three).

Highest paid director's emoluments

	2016 £'000	2015 £'000
Aggregate emoluments	**456**	447
Aggregate amounts receivable under long-term incentive schemes	**90**	88
	546	535

Post-employment benefits of £nil (2015: £nil) were accrued by the highest paid director under money purchase or defined benefit pension arrangements.

8 Interest payable and similar expenses

	2016 £'000	2015 £'000
Interest paid on bank loan	**2,223**	2,350
Settlements under interest rate swap (note 18)	**2,602**	2,699
Interest payable on bank loans and overdrafts	**4,825**	5,049
Amortisation of finance costs of bank loans	**295**	358
Total interest payable and similar charges	**5,120**	5,407

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

9 Tax on profit

a) Tax expense included in the profit and loss account:	**2016**	2015
	£'000	£'000
Total current tax: UK corporation tax on profit for the financial year	-	-
Deferred tax: Asset recognised	-	(2,354)
Origination and reversal of timing differences	**1,267**	630
Loss relief not accrued	**553**	-
Changes in tax rates	**(126)**	(551)
Total deferred tax	**1,694**	(2,275)
Tax charge/(credit) on profit	**1,694**	(2,275)

b) Tax expense included in other comprehensive income:	**2016**	2015
	£'000	£'000
Deferred tax: Origination and reversal of timing differences	**(180)**	348
Changes in tax rates	**(29)**	165
Tax (credit)/charge on other comprehensive income	**(209)**	513

c) Reconciliation of tax charge

Tax assessed for the year is higher (2015: lower) than the standard rate of corporation tax in the United Kingdom for the year ended 31 December 2016 of 20% (2015: 20.25%). The differences are explained below:

	2016	2015
	£'000	£'000
Profit before taxation	**5,105**	4,388
Profit multiplied by the standard rate of tax in the UK of 20% (2015: 20.25%)	**1,021**	889
Effects of:		
Deferred tax asset recognised	-	(2,354)
Expenses not deductible for tax purposes	**370**	299
Loss relief not accrued	**553**	-
Adjustments in respect of prior years	**(58)**	-
Other timing differences	**(61)**	(557)
Re-measurement of deferred tax – change in UK tax rate	**(126)**	(551)
Group relief surrendered for no consideration	**(5)**	(1)
Total tax charge/(credit) for the year	**1,694**	(2,275)

d) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

10 Intangible assets

Group	Software £'000	Website development £'000	Total £'000
Cost			
At 1 January 2016	432	413	845
Additions in the year	71	53	124
At 31 December 2016	**503**	**466**	**969**
Accumulated amortisation			
At 1 January 2016	153	150	303
Charge for the year	129	80	209
At 31 December 2016	**282**	**230**	**512**
Net book amount			
At 31 December 2016	**221**	**236**	**457**
At 31 December 2015	279	263	542

Amortisation of intangible fixed assets is included in administrative expenses. The company has no intangible assets at 31 December 2016 (2015: £nil).

11 Tangible assets

Group	Land and buildings £'000	Plant, machinery, fixtures and fittings £'000	Construction in progress £'000	Total £'000
Cost				
At 1 January 2016	177,181	91,266	393	268,840
Additions in the year	3,704	1,004	-	4,708
Transfers	-	393	(393)	-
At 31 December 2016	**180,885**	**92,663**	**-**	**273,548**
Accumulated depreciation				
At 1 January 2016	45,333	53,908	-	99,241
Charge for the year	4,742	5,321	-	10,063
At 31 December 2016	**50,075**	**59,229**	**-**	**109,304**
Net book amount				
At 31 December 2016	**130,810**	**33,434**	**-**	**164,244**
At 31 December 2015	131,848	37,358	393	169,599

Land and buildings comprise £40,000 of freehold land and £130,770,000 of leasehold improvements. The company has no tangible assets (2015: £nil).

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

12 Associate undertaking

At 31 December 2016 the Group had a 28.2% equity investment in British Champions Series Limited (BCS). The investment is accounted for using the equity method.

The Group's share of the net profit for the year was as follows:

Group	2016 £'000	2015 £'000
Share of profit	**209**	100

The Group's share of net liabilities of BCS, recognised within provisions for liabilities (note 19) was as follows:

Group	2016 £'000	2015 £'000
28.2% share of net liabilities of associate	**(1,303)**	(1,512)
Recognised within provision against loan to associate (28.2% of £0.764m)	**215**	215
Eliminated on consolidation against loan to associate	**396**	568
At 31 December	**(692)**	(729)

Loans to associate

Ascot Racecourse Limited, along with the other BCS shareholders, has provided debt funding to finance the operations of BCS (including the British Champions Day prize fund). These loans are unsecured and repayable out of BCS surplus funds.

The net book value of loans to BCS is as follows:

	Group		Company	
Loans to associate	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
At 1 January	**1,332**	1,310	-	-
(Repayments)/advances in the year	**(172)**	22	-	-
At 31 December	**1,160**	1,332	-	-
Less provisions for impairment	**(764)**	(764)	-	-
Net book value of loans	**396**	568	-	-
Eliminated against net liabilities of associate	**(396)**	(568)	-	-
At 31 December	-	-	-	-

Repayment of the loans made commenced in 2016. An impairment provision of £764,000 (2015: £764,000) remains against the total advance, given historic profitability and that the loan repayment schedule extends out to 2025. The £396,000 (2015: £568,000) is repayable in priority to the original shareholder loan of £764,000 and so repayment of this amount is more certain. The Group is not committed to any further loans to BCS.

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

13 Stock

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Bloodstock	**332**	333	**-**	-

Ascot Racecourse Limited owns 5 racehorses (2015: 5), which it races for the enjoyment of members of its proprietary club, The Royal Ascot Racing Club.

14 Debtors

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year				
Trade debtors	**8,419**	5,572	**-**	-
Prepayments and accrued income	**4,212**	5,110	**5**	6
	12,631	10,682	**5**	6
Amounts falling due after more than one year				
Amounts owed by Group undertakings	**-**	-	**154,667**	161,330
Deferred tax (note 19)	**-**	-	**1,696**	1,487
	12,631	10,682	**156,363**	162,823

Amounts owed by Group undertakings are unsecured and repayable by 2030. Interest is charged at 0.5% (2015: 0.5%) above the rate paid by Ascot Authority (Holdings) Limited to external lenders.

15 Creditors - Amounts falling due within one year

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Trade creditors	**3,511**	2,226	**-**	-
Amounts owed to Group undertakings	**-**	-	**16,097**	15,092
Taxation and social security	**1,886**	992	**-**	-
Derivative financial instrument (note 18)	**2,459**	2,462	**2,459**	2,462
Accruals and deferred income	**19,297**	19,692	**-**	1
Bank loan (note 17)	**6,376**	-	**6,376**	-
	33,529	25,372	**24,932**	17,555

Amounts owed to Group undertakings are unsecured and repayable on demand. Interest is paid at 0.25% (2015: 0.5%) below the rate received by Ascot Authority (Holdings) Limited on external deposits or investment of funds.

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

16 Creditors – Amounts falling due after more than one year

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Bank loan (note 17)	**80,488**	93,873	**80,488**	93,873
Derivative financial instrument (note 18)	**6,701**	5,797	**6,701**	5,797
	87,189	99,670	**87,189**	99,670

17 Loans and other borrowings

	2016	2015
Group and Company	**£'000**	£'000
Gross bank loans	**88,350**	95,000
Unamortised issue costs	**(1,486)**	(1,127)
Loans and other borrowings	**86,864**	93,873

Maturity of financial liabilities	**2016**	2015
Group and Company	**£'000**	£'000
In one year or less, or on demand	**6,376**	-
In more than one year, but not more than two years	**6,396**	6,205
In more than two years, but not more than five years	**19,313**	28,419
In more than five years	**54,779**	59,249
	86,864	93,873

The bank loan is secured against the future income of the Group. The loan is repayable in instalments between 31 December 2016 and 30 April 2023. The interest rate on the loan is LIBOR + 1.75%.

The term and repayment profile of the loan were renegotiated in 2016. The Group has an interest rate swap to partially hedge against interest rate risk on the loan balances through until 31 December 2022 (see note 18 below).

Loans and other borrowings are financial liabilities measured at amortised cost.

18 Financial instruments

	2016	2015
Group and Company	**£'000**	£'000
Financial liability measured at fair value through the statement of other comprehensive income		
Liability less than one year (note 15)	**2,459**	2,462
Liability greater than one year (note 16)	**6,701**	5,797
Derivative financial instrument – interest rate swap	**9,160**	8,259
Related deferred tax	**(1,696)**	(1,487)
Derivative financial instrument (net of tax)	**7,464**	6,772

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

18 Financial instruments (continued)

Under the interest rate swap, the Group receives interest at 3 month GBP LIBOR and pays interest at a fixed 3.573% (2015: 3.573%). The swap is based on a principal amount of £78,300,000 (2015: £85,500,000) and reduces each year in line with forecast loan repayment. The hedge is in place until 31 December 2022. Cash flows on both the loan and the interest rate swaps are paid quarterly. The hedge is an effective hedge and movements in the valuation of the hedge are charged/(credited) through other comprehensive income and the cumulative balance, net of related deferred tax, shown in the hedging reserve.

Movements on the hedge during the year were as follows:

Group and Company	**2016 £'000**	2015 £'000
At 1 January	**8,259**	9,999
Settlements under swap – transfer from hedge reserve (note 8)	**(2,602)**	(2,699)
Fair value loss	**3,503**	959
Increase/(decrease) in liability of hedging instrument	**901**	(1,740)
At 31 December	**9,160**	8,259

The periods when cash flows arising from the interest rate swap are expected to occur and expected to affect the profit and loss account are as follows:

Group and Company	**2016 £'000**	2015 £'000
In one year or less	**2,459**	2,462
In more than one year, but not more than two years	**2,137**	1,880
In more than two years, but not more than five years	**3,947**	3,031
In more than five years	**617**	886
	9,160	8,259

Deferred tax relating to the hedge is an asset, with the following movements:

Group and Company	**2016 £'000**	2015 £'000
At 1 January	**1,487**	2,000
Deferred tax credited/(charged) to other comprehensive income (note 9 (b))	**209**	(513)
At 31 December	**1,696**	1,487

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

19 Provisions for liabilities

Group	Provision for associate's deficit (note 12) £'000	Deferred Taxation £'000	Total £'000
1 January 2016	729	492	1,221
(Credited)/charged to the profit and loss account	(209)	1,694	1,485
Credited to other comprehensive expense	-	(209)	(209)
Eliminated on consolidation against loan to associate	172	-	172
31 December 2016	**692**	**1,977**	**2,669**

Deferred taxation

Group	Amount provided/ (recognised)		Amount unprovided/ (unrecognised)	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Capital allowances	**(1,108)**	(2,025)	-	-
Short term timing differences	**4,781**	4,589	-	-
Losses	-	(585)	**(553)**	-
Deferred tax excluding that relating to components of other comprehensive income	**3,673**	1,979	**(553)**	-
Derivative financial instrument – dealt with in other comprehensive income (note 18)	**(1,696)**	(1,487)	-	-
Deferred tax provision	**1,977**	492	**(553)**	-

The net deferred tax liability expected to reverse in 2017 is £nil.

The Group has unrelieved tax losses from trading. Unrelieved tax losses at 31 December 2016 amount to £3,252,000 (2015: £3,252,000).

Company	Amount provided/ (recognised)	
	2016	2015
	£'000	£'000
Deferred tax asset - Derivative financial instrument (note 18)	**(1,696)**	(1,487)

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

20 Deferred credits

Movements on capital grants received from the Horserace Betting Levy Board and capital contributions from other sources are as follows:

Group	Gross capital grants & contributions received	Accumulated credit to profit & loss account	Deferred credits
	£'000	£'000	£'000
1 January 2016	49,827	(23,957)	25,870
Received during the year	696	-	696
Credited to the profit and loss account	-	(1,207)	(1,207)
31 December 2016	**50,523**	**(25,164)**	**25,359**

The capital grants of £50.5m comprise £42.3m received from the Horserace Betting Levy Board (HBLB) and £8.2m received from other third parties. Grants received from the HBLB are not repayable in any circumstances.

Under the terms of agreements with the other third parties, reducing amounts of those contributions are repayable should the contracts with the third parties for the supply of services be terminated. At 31 December 2016, the amount repayable in such circumstances was £nil (2015: £0.5m).

Company
The company does not receive capital grants from the Horserace Betting Levy Board or other sources.

21 Called up share capital

Group and Company	2016	2015
	£'000	£'000
Allotted, issued and fully paid		
100,000 ordinary shares of £1 each (2015: 100,000 ordinary shares)	**100**	100

There is a single class of ordinary shares; each share has equal voting rights, equal rights on winding up and no right to a dividend.

Dividends

A dividend of £50,000 was paid in the year (2015: none).

A final dividend of £30,000 has been proposed for the year ended 31 December 2016 (2015: £50,000). This proposed final dividend has not been accounted for within the current financial statements as it has yet to be approved.

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

22 Reserves

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

Share premium account – includes any premiums received on issue of share capital.
Any transaction costs associated with the issuing of shares are deducted from share premium.

Hedging reserve – is used to record transactions arising from the Group's interest rate hedging arrangements.

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

Movements in the above reserves are shown in the Statements of changes in equity.

23 Notes to the statement of cash flows

	2016 £'000	2015 £'000
Profit for the financial year	**3,411**	6,663
Tax charge/(credit) on profit on ordinary activities	**1,694**	(2,275)
Interest payable	**5,119**	5,407
Interest receivable	**(111)**	(86)
Income from interests in associate undertaking	**(208)**	(100)
Operating profit	**9,905**	9,609
Amortisation of intangible assets	**209**	182
Depreciation of tangible assets	**10,063**	10,388
Credit of deferred capital grants	**(1,207)**	(1,484)
Loss on disposal of tangible assets	-	(14)
(Increase) in stocks	**(11)**	(14)
(Increase)/decrease in trade debtors	**(2,815)**	454
Decrease/(increase) in other debtors, prepayments and accrued income	**1,081**	(2,516)
Increase in trade creditors	**902**	355
Increase in taxation and social security	**894**	386
Increase in other creditors, accruals and deferred income	**679**	949
Cash flow from operating activities	**19,700**	18,295

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

24 Reconciliation of movement in net debt

	1 January 2016	Cash flow	Non cash flow	**31 December 2016**
	£'000	£'000	£'000	**£'000**
Cash at bank and in hand	12,308	2,774	-	**15,082**
Borrowings - due within 1 year	-	-	(6,376)	**(6,376)**
Borrowings - due after 1 year	(93,873)	7,304	6,081	**(80,488)**
	(93,873)	7,304	(295)	**(86,864)**
Net debt	(81,565)	10,078	(295)	**(71,782)**

Non cash flow changes represent the amortisation of £295,000 as the cost of raising finance.

25 Operating lease and other commitments

At 31 December 2016, the Group had total commitments under non-cancellable operating leases for each of the following years:

	Land and buildings		**Other**	
	2016	**2015**	**2016**	2015
	£'000	**£'000**	**£'000**	£'000
Not later than one year	**171**	167	-	-
Later than one year and not later than five years	**405**	247	-	-
Later than five years	**1,845**	1,906	-	-
	2,421	2,320	-	-

The group had no capital commitments for future capital expenditure not provided in the financial statements (2015: none).

26 Post-employment benefits

a) Defined contribution schemes

The Group operates two defined contribution schemes for employees and directors – Group Personal Pension Plans operated on a money purchase basis, arranged with Standard Life and National Employment Savings Trust (NEST). The scheme assets are held in separately administered individual personal pension plan funds.

The amount recognised as an expense for the defined contribution schemes was:

	2016	2015
	£'000	£'000
Current year contributions	**315**	294

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

26 Post-employment benefits (continued)

b) Defined benefit scheme

The Group also has one defined benefit scheme, The Ascot Racecourse Limited 1974 Retirement Fund, with assets held in a separately administered fund. This pension scheme was closed on 31 March 1999 and there are no active members. The pension scheme provides retirement benefits on the basis of the members' final salary when the scheme was closed.

The plan is administered by independent trustees. A full actuarial valuation, using the projected unit credit method, was carried out as at 31 March 2015 by qualified independent actuaries, Punter Southall LLP and a funding plan agreed with the trustees. At 31 March 2015 the scheme was valued at £200,000 surplus, with a funding level of 105%, and therefore no additional contributions are required of the Group. Consequently, the Group made no deficit reduction contributions in the year (2015: £nil). This will be reviewed again in March 2018, when the next full valuation of the scheme is due.

The actuarial valuation as at 31 March 2015 has been updated for the purposes of meeting the requirements of FRS102. The major assumptions used were:

	2016	2015
	%	%
Rate of increase in benefits & pensions in payment	**3.0**	3.0
Discount rate	**2.52**	4.05
Rate of inflation - CPI	**3.0**	2.55
Longevity at age 65 for future pensioners (men)	**23.0 yrs**	23.0 yrs

FRS102 prescribes that the discount rate applied to the liabilities should be based on the yield on AA rated corporate bonds at 31 December 2016 of 2.52% (2015: 4.05%), whereas the funding basis uses the rate of government bonds (2.25% as at 31 March 2015) less 0.3% (1.95% as at 31 March 2015).

Reconciliation of scheme assets and liabilities on the FRS102 accounting basis:

	Assets	**Liabilities**	**Total**
	£'000	**£'000**	**£'000**
1 January 2016	4,281	(2,469)	1,812
Interest income/(expense)	173	(100)	73
Actuarial gain/(loss)	490	(1,399)	(909)
31 December 2016	**4,944**	**(3,968)**	**976**

On an FRS102 accounting basis the scheme shows a surplus of £976,000 and, as required by FRS102, this basis is used in the disclosures in this note. Were a discount rate of 1.95% to be applied to discount the liabilities, the scheme would show a lower surplus, similar to the £200,000 funding surplus as at 31 March 2015.

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

26 Post-employment benefits (continued)

b) Defined benefit scheme (continued)

The 1974 scheme is closed to contributions. Under FRS102, none of the £976,000 (2015: £1,812,000) FRS102 accounting surplus can be recognised on the balance sheet, as it is not recoverable through reduced future contributions. In practice the directors believe the FRS102 accounting surplus is unlikely to be realised, in any event. The directors expect that most, if not all, of the assets of the scheme will be used to secure the benefits promised to members, as indicated by the funding basis.

Total cost recognised as an expense in the profit and loss account:

	2016	2015
	£'000	£'000
Interest cost	**100**	100
Settlements	**-**	18
Distributions of unrecognised surplus	**(100)**	(118)
Total operating charge	**-**	-

Total cost recognised as an expense in the statement of comprehensive income:

	2016	2015
	£'000	£'000
Actuarial (loss)/gain	**(909)**	78
Change in unrecognised surplus	**909**	(78)
Actuarial loss recognised in the statement of comprehensive income	**-**	-

The fair value of the fund assets (which do not include any of the Group's financial instruments or shares) was:

	2016	2015
	£'000	£'000
Corporate bonds	**2,554**	2,126
Government bonds	**2,380**	2,145
Cash	**10**	10
Fair value of plan assets	**4,944**	4,281

The return on the fund assets was:

	2016	2015
	£'000	£'000
Interest income	**173**	164
Return on plan assets less interest income	**490**	(184)
Total return on plan assets	**663**	(20)

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

27 Related party transactions

Transactions and balances with related parties are as follows:

	Sales		Debtors	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
British Champions Series Limited	**209**	195	**83**	72
Weatherbys Limited	**55**	110	**1**	-
Troy Asset Management Limited	**15**	10	**-**	-
Stonehage Fleming	**-**	2	**-**	-
	279	317	**84**	72

	Purchases		Creditors	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
British Champions Series Limited	**-**	-	**109**	108
Weatherbys Limited	**253**	304	**13**	26
Weatherbys Hamilton LLP	**12**	10	**10**	-
	265	314	**132**	134

British Champions Series Limited (BCS) is an associate undertaking and Ascot Racecourse hosts British Champions Day (BCD) for BCS. Ascot Racecourse Limited collects income and incurs expenditure for BCD, which it passes over to BCS. This income and expenditure is not included above. The sales and debtors relate to a hosting and management fee and boxes and restaurants that BCS book at Ascot Racecourse. The debtor relates to invoices for 2017 transactions and is matched at 31 December by a credit balance within deferred income.

Ascot Racecourse Limited, along with the other BCS shareholders, has provided debt funding to finance the operations of BCS (including the British Champions Day prize fund). These loans are unsecured and repayable out of BCS surplus funds (see note 12). The gross loan to BCS is £1,160,000 (2015: £1,332,000). The net book value of loans to BCS, after provisions for impairment, is £nil (2015: £nil).

Ascot Racecourse Limited purchases racecards from, and sells sponsorship and hospitality packages to, Weatherbys Limited, a company which shares a director (J R Weatherby) with the Group. It also purchases horse insurance from Weatherbys Hamilton LLP.

Ascot Racecourse Limited received sponsorship and hospitality income from Troy Asset Management Limited which shares a director (Sir Francis Brooke Bt.) with the Group.

Ascot Authority (Holdings) Limited's directors J R Weatherby, M E T Davies and Sir Francis Brooke Bt. are members of The Jockey Club, which owns and operates a number of racecourses in the UK.

Children of one (2015: two) of the directors of the company were employed by Ascot Racecourse Limited and paid £2,632 in aggregate for their services (2015: £1,861). There are no amounts outstanding as at 31 December 2016.

The company's other related party transactions were with wholly owned subsidiaries and so have not been disclosed.

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

28 Ultimate parent company and controlling party

J R Weatherby, M E T Davies and Sir Francis Brooke Bt. are non-beneficial Trustees of the Ascot Authority, a body which owns the entire share capital of Ascot Authority (Holdings) Limited. The Ascot Authority is therefore the immediate and ultimate parent undertaking of the Group and the above Trustees are therefore the ultimate controlling parties. The Ascot Authority is the parent of the only group including the company. The Ascot Authority is not required to prepare consolidated financial statements.

29 Investments

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Shares in group undertakings – cost and net book value				
At 1 January and 31 December	**-**	-	**2,712**	2,712

The related undertakings whose results or financial performance affect the figures shown in the consolidated financial statements are as follows:

Name	Country of Incorporation	Nature of Business	Interest
Subsidiaries:			
Ascot Racecourse Limited	UK	Horseracing, Leisure & Entertainment	100% ordinary shares
Ascot Racecourse Estates Limited	UK	Estates Management	100% ordinary shares
Ascot Racecourse Estates (Property Developments) Limited	UK	Property Development	100% ordinary shares
Royal Ascot Hotel Limited	UK	Dormant (& exempt from audit)	100% ordinary shares
Associate:			
British Champions' Series Limited	UK	Horseracing	28.2% ordinary shares, held by Ascot Racecourse Limited

All of the above subsidiaries and associate are included in the consolidation.

The registered office of all subsidiaries is Ascot Racecourse, Ascot, Berkshire, SL5 7JX. The registered office of British Champions' Series Limited is 20-22 Bedford Row, London, WC1R 4EB.

In connection with the application of the audit exemption under Section 479A of the Companies Act 2006 the company has guaranteed all the outstanding liabilities as at 31 December 2016 of certain of its subsidiaries: Ascot Racecourse Estates Limited and Ascot Racecourse Estates (Property Developments) Limited since these companies qualify for the exemption.

The above is a complete list of all related undertakings.