Registered no: 04274507

Ascot Authority (Holdings) Limited
Annual report and financial statements
for the year ended 31 December 2018

Ascot Authority (Holdings) Limited

Annual report and financial statements for the year ended 31 December 2018

Strategic report for the year ended 31 December 2018

The directors present their strategic report on the Group for the year ended 31 December 2018.

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 trading company of the Group.

Review of the business

There were 26 racedays (18 flat, 8 jump) in 2018, including QIPCO British Champions Day which Ascot hosts on behalf of British Champions Series Limited (2017: 25 racedays). No racedays were abandoned due to weather (2017: one). Attendance decreased by 0.7% to 606,278 (2017: 610,543). 13 of the 35 (2017: 13 of 35) UK Group One Flat races are held at Ascot between May and October, of which four (2017: four) are on QIPCO British Champions Day, and three of the 19 UK Open Grade One Jumps races between November and March.

Group turnover increased from £85.4m in 2017 to £91.3m, an uplift of 7%, mainly as a result of the strong performance of Fine Dining & Retail Catering at both Royal Ascot and other racedays and increased income from broadcast and betting media rights and admission revenue.

Attendance at Royal Ascot was 302,000 (2017: 294,000). Ascot remains committed to improving customer experience rather than simply increasing customer numbers so this should not be interpreted as a trend.

There were increases of 4% (2017: 5%) in public raceday ticket income and 6% (2017: 9%) in fine dining income. This enabled the business to continue to invest in racedays and capital expenditure to enhance the customer experience. Prize money was increased by 10% (2017: decreased by 1%). Since 2009 total prize money has increased by 43%. This increase has been predominantly funded by Ascot whose executive contribution has grown from 43% to 55% of the total prize fund during a period when central funding from the Levy has fallen.

Food and beverage services at the racecourse are provided under a commercial partnership with Sodexo, "1711 by Ascot". 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). Ascot Racecourse Betting & Gaming Limited began operating horse racing pool betting at Ascot Racecourse in July 2018 at the first race meeting after the liberalisation of the statutory monopoly on horse racing pool betting.

Profit before taxation was £6.1m (2017: £6.2m).

Profit after tax for the financial year was £4.8m (2017: £5.6m).

After meeting interest payable of £3.8m (2017: £4.9m) and capital expenditure of £4.5m (2017: £4.7m), the group repaid £10.0m (2017: £11.0m) of the bank loan, reducing the outstanding loan to £67.4m (2017: £77.4m). Net debt (see note 24) at 31 December 2018 was £50.6m (2017: £59.8m). At the year end the Group had net assets of £58.6m (2017: £52.1m). The board remains committed to the successful debt repayment programme which has seen net debt approximately halve since 2013.

The first year of a Planned Preventative Maintenance (PPM) programme for the Grandstand, 12 years after its construction, resulted in over £0.9m of expenditure which was expensed. This was in addition to capital expenditure. Major capex projects during the year included the first phase of an eight year box refurbishment project as well as continuing investment in wayfinding improvement and the purchase of equipment for the new betting operation.

The board is committed to a policy of developing the business across seven key income streams, which currently each represent between 10% and 20% of income, to drive its focus on investment in customer experience and facilities, racing (including infrastructure and prize money) and debt repayment.

Key Performance Indicators (KPIs)

Turnover, profit before tax and the level of net debt 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.

Strategic report for the year ended 31 December 2018 (continued)

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.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are:

- Economic factors and social trends that 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.
- Abandonment of Royal Ascot. Extensive 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

Sir Francis Brooke Bt.
Chairman

30 May 2019
Date

Directors' report for the year ended 31 December 2018

The directors present their report and the audited Group and parent company financial statements for the year ended 31 December 2018.

Results and dividends

The profit after tax for the financial year was £4.8m (2017: £5.6m). The directors recommend the payment of a dividend of £20,000 to the Ascot Authority for the year ended 31 December 2018 (2017: £nil) to cover professional advice fees. 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.

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:
Sir Francis Brooke Bt. (Chairman)
J R Weatherby
H M C Morley
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 2018 (continued)

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of indemnity insurance 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 in respect of the financial statements

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 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 company and of the profit or loss of the 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 company will continue in business.

The directors 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.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have 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

Francis Brooke

Sir Francis Brooke Bt.
Chairman

30 May 2019
Date

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

Report on the audit of the financial statements

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 2018 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2018; the consolidated profit and loss account; the consolidated statement of comprehensive income; the consolidated and company statements of changes in equity and the consolidated statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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 group's and parent 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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

Reporting on other information (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of directors' remuneration specified by law are not made; 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.

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

30 May 2019.
Date

Consolidated profit and loss account for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	5	**91,272**	85,410
Cost of sales		**(55,802)**	(50,507)
Gross profit		**35,470**	34,903
Administrative expenses		**(26,132)**	(24,083)
Other operating income	6	**399**	393
Operating profit	6	**9,737**	11,213
Income from interests in associated undertakings	12	**282**	194
Other interest receivable and similar income		**110**	59
Interest payable and similar expenses	8	**(4,004)**	(5,233)
Profit before taxation		**6,125**	6,233
Tax on profit	9	**(1,357)**	(669)
Profit for the financial year		**4,768**	5,564

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 loss for the company for the year was £1,107k (2017: £36k loss).

Consolidated statement of comprehensive income for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Profit for the financial year		**4,768**	5,564
Cash flow hedges:			
- Change in value of hedging instrument	18	**227**	58
- Reclassifications to profit and loss	18	**1,898**	3,125
Total tax on components of other comprehensive income	9	**(388)**	(619)
Other comprehensive income for the year, net of tax		**1,737**	2,564
Total comprehensive income for the year		**6,505**	8,128

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 2018

		Group		Company	
	Note	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Fixed assets					
Intangible assets	10	**98**	856	**-**	-
Tangible assets	11	**152,574**	158,363	**-**	-
Investments	29	**-**	-	**79,812**	79,812
		152,672	159,219	**79,812**	79,812
Current assets					
Stock	13	**385**	395	**-**	-
Debtors	14	**14,515**	11,692	**58,192**	69,152
Cash at bank and in hand		**15,856**	16,445	**13,560**	13,057
		30,756	28,532	**71,752**	82,209
Creditors – Amounts falling due within one year	15	**(32,349)**	(33,613)	**(23,823)**	(25,341)
Net current (liabilities)/assets		**(1,593)**	(5,081)	**47,929**	56,868
Total assets less current liabilities		**151,079**	154,138	**127,741**	136,680
Creditors – Amounts falling due after more than one year	16	**(64,345)**	(73,914)	**(64,345)**	(73,914)
Provisions for liabilities	19	**(4,828)**	(3,785)	**-**	-
Deferred credits	20	**(23,273)**	(24,311)	**-**	-
Net assets		**58,633**	52,128	**63,396**	62,766
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	**(3,163)**	(4,900)	**(3,163)**	(4,900)
Profit and loss account	22	**22,235**	17,467	**26,998**	28,105
Total shareholders' funds		**58,633**	52,128	**63,396**	62,766

The notes on pages 12 to 30 are an integral part of these financial statements.

The financial statements on pages 7 to 30 were approved by the board of directors and were signed on its behalf by:

Francis Brooke

Sir Francis Brooke Bt.
Chairman
Ascot Authority (Holdings) Limited
Ascot Racecourse, Ascot, Berkshire, SL5 7JX

Registered no: 04274507

30 May 2019
Date

Consolidated statement of changes in equity for the year ended 31 December 2018

	Called up share capital £'000	Share premium account £'000	Hedging reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
1 January 2017	**100**	**39,461**	**(7,464)**	**11,903**	**44,000**
Profit for the financial year	-	-	-	5,564	5,564
Other comprehensive income	-	-	2,564	-	2,564
Total comprehensive income	-	-	2,564	5,564	8,128
31 December 2017	**100**	**39,461**	**(4,900)**	**17,467**	**52,128**
Profit for the financial year	-	-	-	4,768	4,768
Other comprehensive income	-	-	1,737	-	1,737
Total comprehensive income	-	-	1,737	4,768	6,505
31 December 2018	**100**	**39,461**	**(3,163)**	**22,235**	**58,633**

Company statement of changes in equity for the year ended 31 December 2018

	Called up share capital £'000	Share premium account £'000	Hedging reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
1 January 2017	**100**	**39,461**	**(7,464)**	**28,141**	**60,238**
Loss for the financial year	-	-	-	(36)	(36)
Other comprehensive income	-	-	2,564	-	2,564
Total comprehensive income	-	-	2,564	(36)	2,528
31 December 2017	**100**	**39,461**	**(4,900)**	**28,105**	**62,766**
Loss for the financial year	-	-	-	(1,107)	(1,107)
Other comprehensive income	-	-	1,737	-	1,737
Total comprehensive income	-	-	1,737	(1,107)	630
31 December 2018	**100**	**39,461**	**(3,163)**	**26,998**	**63,396**

Consolidated statement of cash flows for the year ended 31 December 2018

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Net cash from operating activities	23		**17,825**		21,630
Taxation paid			**(449)**		-
Net cash generated from operating activities			**17,376**		21,630
Cash flows from investing activities					
Purchase of intangible assets		**(197)**		(662)	
Purchase of tangible assets		**(4,318)**		(4,028)	
Proceeds from sale of tangible assets		**5**		9	
		(4,510)		(4,681)	
Interest received		**110**		59	
Loan repayment from associate	12	**187**		227	
Net cash used in investing activities			**(4,213)**		(4,395)
Cash flows from financing activities					
Interest paid on bank loan	8	**(1,854)**		(1,797)	
Interest rate swap settlements	18	**(1,898)**		(3,125)	
Total interest paid and similar charges		**(3,752)**		(4,922)	
Repayment of bank loans	17	**(10,000)**		(10,950)	
Net cash used in financing activities			**(13,752)**		(15,872)
Net (decrease)/increase in cash and cash equivalents			**(589)**		1,363
Cash and cash equivalents at the beginning of the year			**16,445**		15,082
Cash and cash equivalents at the end of the year			**15,856**		16,445

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

Notes to the consolidated financial statements for the year ended 31 December 2018

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 FRS102

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.

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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3. Summary of significant accounting policies (continued)

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.

Horse racing pool betting turnover is measured at the fair value of total amounts wagered less amounts payable to winning customers, together with a share of stakes transmitted into UK based pools of Ascot races, from UK and international betting partners.

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

f) Intangible assets

Intangible assets are stated at 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.

Intangible assets in course of construction are stated at cost. These assets are not amortised until they are available for use.

g) Tangible fixed assets

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 27 years remaining on the lease with The Crown Estate)
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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3. Summary of significant accounting policies (continued)

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 or 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.

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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3. Summary of significant accounting policies (continued)

n) Taxation (continued)

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.

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 at each reporting date. 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 2018 (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 2018 a net deferred tax liability of £4.2m (2017: £3.1m) in respect of timing differences is recognised, comprising a provision for timing differences of £5.6m offset by £1.4m of deferred tax assets in respect of capital allowances 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, £152.6m at 31 December 2018 (2017: £158.4m), 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 £3.0m (2017: £2.8m). No capital grant (2017: £nil) was received from the HBLB.

6. Operating profit

Operating profit is stated after charging/(crediting):	Note	**2018 £'000**	2017 £'000
Staff costs:			
Wages and salaries		**7,765**	7,360
Social security costs		**909**	840
Other pension costs	26	**470**	355
Long term employee benefits		**280**	249
Total staff costs		**9,424**	8,804
Depreciation and amortisation:			
Loss/(profit) on disposal of tangible assets		**7**	(9)
Impairment of intangible assets	10	**792**	-
Amortisation of intangible assets	10	**163**	263
Depreciation of tangible assets	11	**10,095**	9,890
Amortisation of deferred credits	20	**(1,038)**	(1,048)
Net depreciation and amortisation		**10,019**	9,096
Operating lease charges:			
Total operating lease charges – land & buildings		**236**	224

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

6. Operating profit (continued)

Operating profit is stated after charging/(crediting):	2018 £'000	2017 £'000
Auditors' remuneration:		
Fees payable to the company's auditors for the audit of the parent company and group's consolidated financial statements	**17**	17
Fees payable to the company's auditors and its associates for other services:		
- The audit of the company's subsidiaries	**56**	48
- Tax advisory services	**24**	71
- Tax compliance services	**19**	19
- Other services	**52**	28
Total payable to the company's auditors and its associates	**168**	183

Other operating income

Other operating income comprises rental income of £399k (2017: £393k).

7. Employees and directors

Employees

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

	2018 Number	2017 Number
Administration	**132**	118
Course and grounds and maintenance	**41**	39
	173	157

The company has no (2017: 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:

	2018 £'000	2017 £'000
Wages and salaries	**453**	441
Social security costs	**63**	61
	516	502

Directors

The directors' emoluments were as follows:

	2018 £'000	2017 £'000
Aggregate emoluments	**1,456**	1,402
Company pension contributions to money purchase schemes	**60**	44
Aggregate amounts receivable under long-term incentive schemes	**280**	249
	1,796	1,695

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

7. Employees and directors (continued)

Directors (continued)

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 three directors (2017: three) under money purchase arrangements. Four directors are accruing benefits under a long-term incentive scheme (2017: three).

Highest paid directors' emoluments

	2018 £'000	2017 £'000
Aggregate emoluments	**469**	458
Aggregate amounts receivable under long-term incentive schemes	**93**	91
	562	549

Post-employment benefits of £nil (2017: £nil) were accrued by the highest paid director under money purchase or defined benefit pension arrangements.

8. Interest payable and similar expenses

	2018 £'000	2017 £'000
Interest paid on bank loan	**1,854**	1,797
Settlements under interest rate swap (note 18)	**1,898**	2,418
Early partial repayment of interest rate swap (note 18)	**-**	707
Interest payable on bank loans	**3,752**	4,922
Amortisation of finance costs of bank loans	**252**	311
Total interest payable and similar expenses	**4,004**	5,233

9. Tax on profit

a) Tax expense included in the profit and loss account	**2018 £'000**	2017 £'000
UK Corporation tax on profits for the year	**598**	205
Adjustment in respect of prior periods	**(9)**	-
Total current tax	**589**	205
Origination and reversal of timing differences	**885**	1,161
Recognition of deferred tax in respect of losses	**-**	(402)
Adjustment in respect of prior periods	**(36)**	(157)
Effects of changes in tax rates	**(81)**	(138)
Total deferred tax	**768**	464
Tax charge on profit	**1,357**	669

b) Tax expense included in other comprehensive income	**2018 £'000**	2017 £'000
Deferred tax: Origination and reversal of timing differences	**405**	613
Effects of changes in tax rates	**(17)**	6
Tax charge on other comprehensive income	**388**	619

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

9. Tax on profit (continued)

c) Reconciliation of tax charge

Tax assessed for the year is higher (2017: lower) than the standard rate of corporation tax in the United Kingdom for the year ended 31 December 2018 of 19% (2017: 19.25%). The differences are explained below:

	2018 £'000	2017 £'000
Profit before taxation	**6,125**	6,233
Profit multiplied by the standard rate of tax in the UK of 19% (2017: 19.25%)	**1,164**	1,200
Effects of:		
- Expenses not deductible for tax purposes	**324**	323
- Losses utilised not previously recognised	**-**	(151)
- (Recognition)/derecognition of deferred tax in respect of losses	**-**	(402)
- Adjustment in respect of prior periods	**(45)**	(157)
- Changes in tax rates	**(81)**	(138)
- Group relief claimed for no consideration	**(5)**	(6)
Total tax charge for the year	**1,357**	669

d) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016. These include reductions to the main rate to reduce the rate 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.

10. Intangible assets

Group	Software £'000	Website development £'000	Construction in progress £'000	Total £'000
Cost				
At 1 January 2018	540	466	625	1,631
Additions in the year	30	-	167	197
Impairment in the year	-	-	(792)	(792)
As 31 December 2018	**570**	**466**	**-**	**1,036**
Accumulated amortisation				
At 1 January 2018	423	352	-	775
Charge for the year	63	100	-	163
At 31 December 2018	**486**	**452**	**-**	**938**
Net book amount				
At 31 December 2018	**84**	**14**	**-**	**98**
At 31 December 2017	117	114	625	856

Amortisation of intangible fixed assets is included in administrative expenses. The company has no intangible assets at 31 December 2018 (2017: £nil).

The impairment relates to an aborted IT project which has been deemed to be no longer an appropriate IT solution for the group.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

11. Tangible assets

Group	Land & buildings £'000	Plant, machinery, fixtures and fittings £'000	Construction in progress £'000	Total £'000
Cost				
At 1 January 2018	181,705	95,354	477	277,536
Additions in the year	1,553	2,765	-	4,318
Disposals in the year	-	(21)	-	(21)
Transfers	-	477	(477)	-
As 31 December 2018	**183,258**	**98,575**	**-**	**281,833**
Accumulated depreciation				
At 1 January 2018	54,863	64,310	-	119,173
Charge for the year	4,859	5,236	-	10,095
Disposals	-	(9)	-	(9)
At 31 December 2018	**59,722**	**69,537**	**-**	**129,259**
Net book amount				
At 31 December 2018	**123,536**	**29,038**	**-**	**152,574**
At 31 December 2017	126,842	31,044	477	158,363

Land and buildings comprise £40k of freehold land and £123,496k of leasehold improvements. The company has no tangible assets (2017: £nil).

12. Income from interests in associate undertakings

At 31 December 2018 the Group had a 28.2% (2017: 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	2018 £'000	2017 £'000
Share of profit	**287**	194
Recognised within the provision against loan to associate	**(5)**	-
Share of profits of associate net of credits for loan impairment	**282**	194

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

Group	2018 £'000	2017 £'000
28.2% share of net liabilities of associate	**(822)**	(1,109)
Recognised within provision against loan to associate (28.2% of £746k)	**210**	215
Eliminated on consolidation against loan to associate	**-**	169
At 31 December	**(612)**	(725)

Loans to associate

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

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

12. Associate undertaking (continued)

Loans to associate (continued)

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

Loans to associate	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
At 1 January	**933**	1,160	**-**	-
Repayments in the year	**(187)**	(227)	**-**	-
At 31 December	**746**	933	**-**	-
Less provisions for impairment	**(746)**	(764)	**-**	-
Loans to associate net of impairment	**-**	169	**-**	-
Eliminate against net liabilities of associate	**-**	(169)	**-**	-
At 31 December	**-**	-	**-**	-

Repayment of the loans made commenced in 2016. An impairment provision of £746k (2017: £764k) remains against the total advance, given historic profitability and that the loan repayment schedule extends out to 2025. The Group is not committed to any further loans to BCS.

13. Stock

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Bloodstock	**385**	395	**-**	-

Ascot Racecourse Limited owns five racehorses (2017: five), which it races for the enjoyment of members of its proprietary club, The Royal Ascot Racing Club.

14. Debtors

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Amounts falling due within one year				
Trade debtors	**6,860**	6,029	**-**	-
Prepayments and accrued income	**7,655**	5,663	**9**	6
	14,515	11,692	**9**	6
Amounts falling due after more than one year				
Amounts owed by Group undertakings	**-**	-	**57,494**	68,069
Deferred tax - Derivative financial instrument (note 18)	**-**	-	**689**	1,077
	14,515	11,692	**58,192**	69,152

Amounts owed by Group undertakings are unsecured and repayable by 2030. Interest is charged at 0.5% (2017: 0.5%) above the rate paid by Ascot Authority (Holdings) Limited to external lenders.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

15. Creditors – Amounts falling due within one year

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Bank loan (note 17)	**4,501**	6,377	**4,501**	6,377
Trade creditors	**923**	1,665	**-**	-
Amounts owed to Group undertakings	**-**	-	**17,840**	17,054
Corporation tax (note 9)	**345**	205	**-**	-
Other taxation and social security	**2,278**	2,092	**-**	-
Derivative financial instrument (note 18)	**1,482**	1,910	**1,482**	1,910
Accruals and deferred income	**22,820**	21,364	**-**	-
	32,349	33,613	**23,823**	25,341

Amounts owed to Group undertakings are unsecured and repayable on demand. Interest is paid at 0.50% (2017: 0.25%) below the rate received by Ascot Authority (Holdings) Limited on external deposits or investment of funds.

16. Creditors – Amounts falling due after more than one year

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Bank loan (note 17)	**61,975**	69,847	**61,975**	69,847
Derivative financial instrument (note 18)	**2,370**	4,067	**2,370**	4,067
	64,345	73,914	**64,345**	73,914

17. Loans and other borrowings

Group and Company	**2018 £'000**	2017 £'000
Gross bank loans	**67,400**	77,400
Unamortised issue costs	**(924)**	(1,176)
Loans and other borrowings	**66,476**	76,224

Maturity of financial liabilities:

Group and Company	**2018 £'000**	2017 £'000
In one year or less, or on demand	**4,501**	6,377
In more than one year, but not more than two years	**4,517**	6,402
In more than two years, but not more than five years	**57,458**	19,347
In more than five years	**-**	44,098
	66,476	76,224

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

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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

18. Financial instruments

Financial liability measured at fair value through the statement of other comprehensive income:

Group and Company	2018 £'000	2017 £'000
Liability less than one year (note 15)	**1,482**	1,910
Liability greater than one year (note 16)	**2,370**	4,067
Derivative financial instrument – interest rate swap	**3,852**	5,977
Related deferred tax (note 19)	**(689)**	(1,077)
Derivative financial instrument (net of tax)	**3,163**	4,900

Under an interest rate swap, the Group receives interest at 3-month GBP LIBOR and pays interest at a fixed 3.573% (2017: 3.573%). The swap is based on a principal amount of £56.7m (2017: £65.7m) 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	2018 £'000	2017 £'000
At 1 January	**5,977**	9,160
Settlements under swap - transfer from hedge reserve (note 8)	**(1,898)**	(2,418)
Early partial repayment of interest rate swap	**-**	(707)
Fair value gain	**(227)**	(58)
Decrease in liability of hedging instrument	**(2,125)**	(3,183)
At 31 December	**3,852**	5,977

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	2018 £'000	2017 £'000
In one year or less, or on demand	**1,482**	1,910
In more than one year, but not more than two years	**1,097**	1,543
In more than two years, but not more than five years	**1,273**	2,524
In more than five years	**-**	-
	3,852	5,977

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

19. Provisions for liabilities

Group	Provision for associate's deficit (note 12) £'000	Deferred taxation £'000	Total £'000
1 January 2018	725	3,060	3,785
Previously eliminated against loan to associate	169	-	169
(Credited)/charged to the profit and loss account	(282)	768	486
Charged to other comprehensive expense	-	388	388
At 31 December 2018	**612**	**4,216**	**4,828**

Deferred taxation liability

Group	2018 £'000	2017 £'000
Capital allowances	**(666)**	(672)
Short term timing differences	**5,571**	5,229
Losses	**-**	(420)
Derivative financial instrument – dealt with in other comprehensive income (note 18)	**(689)**	(1,077)
Deferred tax provision	**4,216**	3,060

The net deferred tax liability expected to reverse in 2019 is £nil.

Unrelieved tax losses at 31 December 2018 amount to £nil (2017: £2,469k).

The company has a deferred tax asset, shown in note 14, relating to the derivative financial instrument, shown in note 18.

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 £'000	Accumulated credit to profit & loss account £'000	Deferred credits £'000
1 January 2018	50,523	(26,212)	24,311
Credited to the profit and loss account	-	(1,038)	(1,038)
At 31 December 2018	**50,523**	**(27,250)**	**23,273**

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 were repayable should the contracts with the third parties for the supply of services be terminated. At 31 December 2018, the amount repayable in such circumstances was £nil (2017: £nil).

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

20. Deferred credits (continued)

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	**2018 £'000**	2017 £'000
Allotted, issued and fully paid 100,000 ordinary shares of £1 each (2017: 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

No dividend (2017: £nil) was paid in the year.

The directors recommend the payment of a dividend of £20,000 to the Ascot Authority for the year ended 31 December 2018 (2017: £nil) to cover professional advice fees.

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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

23. Notes to the statement of cash flows

	2018 £'000	2017 £'000
Profit for the financial year	**4,768**	5,564
Tax charge on profit	**1,357**	669
Interest payable	**4,004**	5,233
Interest receivable	**(110)**	(59)
Income from interests in associate undertaking	**(282)**	(194)
Operating profit	**9,737**	11,213
Amortisation of intangible assets	**163**	263
Depreciation of tangible assets	**10,095**	9,890
Credit of deferred capital grants	**(1,038)**	(1,048)
Impairment of intangible assets	**792**	-
Loss/(profit) on disposal of tangible assets	**7**	(9)
Decrease in provision for impairment of loan to associate	**(18)**	-
Decrease/(increase) in stocks	**10**	(63)
(Increase)/decrease in trade debtors	**(831)**	2,390
(Increase) in other debtors, prepayments and accrued income	**(1,992)**	(1,451)
(Decrease) in trade creditors	**(742)**	(1,819)
Increase in taxation and social security	**186**	411
Increase in other creditors, accruals and deferred income	**1,456**	1,853
Cash flow from operating activities	**17,825**	21,630

24. Reconciliation of movement in net debt

	1 January 2018 £'000	Cash flow £'000	Non cash flow £'000	**31 December 2018 £'000**
Cash at bank and in hand	16,445	(589)	-	**15,856**
Borrowings – due within 1 year	(6,377)	6,650	(4,774)	**(4,501)**
Borrowings – due after 1 year	(69,847)	3,350	4,522	**(61,975)**
	(76,224)	10,000	(252)	**(66,476)**
Net debt	(59,779)	9,411	(252)	**(50,620)**

Non cash flow changes represent the amortisation of £252k (2017: £311k) as the cost of raising finance.

25. Operating lease and other commitments

At 31 December 2018, the Group had total commitments under non-cancellable operating leases for each of the following years:

	Land and buildings	
	2018 £'000	2017 £'000
Not later than one year	**192**	186
Later than one year and not later than five years	**554**	368
Later than five years	**2,223**	1,782
	2,969	2,336

The group had no capital commitments for future capital expenditure not provided in the financial statements (2017: none).

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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:

	2018 **£'000**	2017 £'000
Current year contributions	**470**	355

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 2018 by qualified independent actuaries Punter Southall LLP. At 31 March 2018 the scheme was valued at £493k surplus, with a funding level of 111%, and therefore no additional contributions are required of the Group. Consequently, the Group made no deficit reduction contributions in the year (2017: £nil).

The actuarial valuation as at 31 March 2018 has been updated for the purposes of meeting the requirements of FRS102. The major assumptions used were:

	2018	2017
Rate of increase in benefits and pensions in payment	**3.05%**	3.0%
Discount rate	**2.58%**	2.32%
Rate of inflation – CPI	**3.05%**	2.5%
Longevity at age 65 for future pensioners (men)	**23.6 years**	23.0 years

FRS102 prescribes that the discount rate applied to the liabilities should be based on the yield on AA rated corporate bonds at 31 December 2018 of 2.58% (2017: 2.32%), whereas the funding basis uses the rate of government bonds (2.25% as at 31 March 2018) less 0.3%, i.e. 1.95% as at 31 March 2018.

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

	Assets **£'000**	**Liabilities** **£'000**	**Total** **£'000**
1 January 2018	5,098	(4,310)	788
Settlements	(685)	579	(106)
Interest income/(expense)	118	(100)	18
Actuarial gain	-	755	755
Return on plan assets excluding interest income	(191)	-	(191)
31 December 2018	**4,340**	**(3,076)**	**1,264**

On an FRS102 accounting basis the scheme shows a surplus of £1,264k 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 £493k funding surplus as at 31 March 2018.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

26. Post-employment benefits (continued)

b) Defined benefit scheme (continued)

The 1974 scheme is closed to contributions. Under FRS102, none of the £1,264k (2017: £788k) 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 amount recognised as an expense:

	2018 £'000	2017 £'000
Net interest income	**18**	25
Settlements	**(106)**	-
Change in unrecognised surplus	**88**	(25)
Pension cost recognised as operating expense	**-**	-
Return on plan assets less interest income	**(191)**	29
Actuarial gain/(loss)	**755**	(242)
Change in unrecognised surplus	**(564)**	213
Actuarial gain/(loss) recognised in the statement of comprehensive income	**-**	-
Total defined benefit scheme gain/(loss) recognised	**-**	-

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

	2018 £'000	2017 £'000
Government bonds	**4,332**	5,088
Cash	**8**	10
Fair value of plan assets	**4,340**	5,098

The return on the fund assets was:

	2018 £'000	2017 £'000
Interest income	**118**	125
Return on plan assets less interest income	**(191)**	29
Total return on plan assets	**(73)**	154

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

27. Related party transactions

Transactions and balances with related parties are as follows:

	Sales		Debtors	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
British Champions Series Limited	**277**	213	**78**	75
Weatherbys Limited	**112**	81	**69**	-
Weatherbys Hamilton LLP	**-**	1	**-**	-
Troy Asset Management Limited	**-**	14	**-**	-
	389	309	**147**	75

	Purchases		Creditors	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
British Champions Series Limited	**-**	-	**97**	55
Weatherbys Limited	**219**	238	**18**	24
Weatherbys Hamilton LLP	**14**	17	**-**	-
	233	255	**115**	79

British Champions' Series Limited (BCS) is an associate undertaking and Ascot Racecourse hosts QIPCO British Champions Day (QBCD) for BCS. Ascot Racecourse Limited collects income and incurs expenditure for QBCD, 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 2019 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 £746k (2017: £933k). The net book value of loans to BCS, after provisions for impairment, is £nil (2017: £169k).

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 Authority (Holdings) Limited directors J R Weatherby and Sir Francis Brooke Bt. are members of The Jockey Club, which owns and operates a number of racecourses in the UK.

The daughter of one (2017: daughter of one) of the directors of the company was employed by Ascot Racecourse Limited and paid £18k in aggregate for her services (2017: £8k). There are no amounts outstanding as at 31 December 2018.

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 2018 (continued)

28. Ultimate parent company and controlling party

J R Weatherby, Sir Francis Brooke Bt. and H M C Morley 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	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Shares in group undertakings – cost and net book value				
At 1 January	-	-	**79,812**	2,712
Additions	-	-	-	77,100
31 December	-	-	**79,812**	79,812

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
Ascot Racecourse Betting & Gaming Limited	UK	Betting & Gaming	100% ordinary shares
Royal Ascot Hotel Limited	UK	Dormant	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 2018 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.