Jockey Club Estates Limited
(A company limited by guarantee)

Report and Financial Statements

Year Ended

31 December 2019

Company Number 00944773

Jockey Club Estates Limited
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Directors

The Hon. Peter Stanley (Chairman)
N R Patton (Managing Director)
The Duke of Bedford
A N Cheyne
A R Macdonald-Buchanan
S J Richmond-Watson
T D J Syder
L J Hancock

Secretary

R A Attwell

Registered office

Jockey Club Office
101 High Street
Newmarket
Suffolk
CB8 8JL

Registered number

00944773 (England and Wales)

Independent auditor

BDO LLP
55 Baker Street
Marylebone
London
W1U 7EU

Jockey Club Estates Limited
(A company limited by guarantee)

Strategic Report
for the year ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Principal activities

The principal activities of the company are the provision of training facilities for racehorses in Newmarket and Lambourn, together with the management of the Jockey Club Rooms in Newmarket and a portfolio of residential and commercial properties.

Financial review

As shown on page 9 the company's turnover was at a similar lever to last year at £7.3m (2018 - £7.3m).

The Board recognises the reliance placed on horse numbers and report that numbers using the facilities at Newmarket and Lambourn were both 5% lower than last year. The key drivers in both training centres was the loss of senior trainers to retirement and relocation. The downturn in horse numbers has required the management teams to review plans for the year to ensure we are able to maintain the facilities as a centre of excellence whilst being able to balance the books.

The Jockey Club Rooms has been through a transitional phase with personnel changes in some key roles. This has impacted upon growth but not the level of service that we continue to provide to members, non-members, and corporate clients. It is encouraging to see growth in the second half of the year, in particular in the Chambers where occupancy is beginning to develop to a much more acceptable level.

We are pleased to report an operating profit before changes in fair value of investment properties of £254k (2018 - £274k), which, given no income growth and pressures on cost in all areas of the business, is a fair result.

Future developments

The Board has set the budget for 2020. It is expected that horse numbers in Newmarket will remain at a similar level to those reported in 2019. Some further changes in the trainers using our facilities in Lambourn present a further risk to horse numbers in the short term but we remain confident that new trainers will move in to the town in the coming years, boosting numbers to new record levels. The budget allows for an increase in expenditure required to maintain the training grounds facilities and operating profit is set to remain in line with 2019.

The company will continue to progress long-term projects for potential housing off Hamilton Road and making land available for new training yards in Lambourn. Further feasibility and planning works will be completed in 2020.

Key performance indicators

The Board monitors the company's performance in a number of ways and consider the key performance indicators to be as follows:

	2019	2018
Turnover (£'000)	**7,318**	7,347
Operating profit before changes in fair value of investment properties and financial instruments (£'000)	**254**	274
Horse numbers (monthly average)		
Newmarket	**2,454**	2,575
Lambourn	**750**	789
Chambers occupancy	**40%**	29%
Properties let on assured shorthold tenancies (AST)	**23**	24
Value of rent arrears	**0%**	0%

Principal risks and uncertainties

The principal risk facing the company relates to the number of horses using the training facilities, particularly in Newmarket. The Board and Executive Management team strive to meet the demands of our customers for first class facilities in all of our businesses whilst maintaining the requirement to balance the books and to generate free cash flow to fund investment in the training facilities and the Jockey Club Rooms.

The company's activities expose it to a number of financial risks including credit risk and liquidity risk. The Board has responsibility for monitoring financial risk management and its policies and procedures are implemented by the Executive Management team.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The credit risk on investment funds is managed by Cazenove Capital Management under delegated authority from the Board. The company has no significant concentration of credit risk, with exposure spread over a large number of instruments, counterparties and countries.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long term and short term debt finance. Long term debt is secured against property assets and is currently financed over a 5 year term expiring in February 2021. The Board regularly review sources of funding to ensure there is access to project finance as required and short term liabilities can be met.

The directors are satisfied that the company has a strong balance sheet and adequate resources to continue in business for the foreseeable future. For this reason, the financial statements continue to be prepared on the going concern basis.

Approval

This strategic report was approved by the board on 30 November 2020.

The Hon. Peter Stanley
Chairman

The directors present their report and the financial statements for the year ended 31 December 2019.

The directors' report does not include information in relation to the principal activities, risks and future developments of the company, which have been included in the strategic report instead under s414C(11) of the Companies Act 2006.

Directors

The directors who served during the year were:

The Hon. Peter Stanley
N R Patton
The Duke of Bedford
A N Cheyne
A R Macdonald-Buchanan
S J Richmond-Watson
T D J Syder
L J Hancock

Market value of land and buildings

The company's freehold land and buildings (held at cost), and freehold investment properties (held at valuation) are included in the balance sheet at a combined total of £34.5m as at 31 December 2019 (2018 - £34.6m). The directors consider that the market value of all land and buildings would be substantially different at approximately £39.5m at that date. The valuation of the freehold land and buildings is based on the most recent market valuations of properties, provided for a number of purposes, and for which the dates range between 2009 and 2019.

Impact of Covid-19

The directors have considered the ongoing impact of COVID-19 on the horse racing industry and therefore, by extension, Jockey Club Estates. The impacts of COVID-19 have been and are likely to continue to be significant. However, horse numbers in Newmarket and Lambourn have remained strong and above levels that would require a significant change of strategy. The executive team continue to monitor key performance indicators on a regular basis and have reviewed operations to deliver efficiency improvements and cost savings through 2020.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all the steps that ought to have been taken as directors in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approval

This directors' report was approved by the Board on 30 November 2020.

The Hon. Peter Stanley
Chairman

Independent Auditor's Report to the Members of Jockey Club Estates Limited

Opinion

We have audited the financial statements of Jockey Club Estates Limited ("the Company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the statement of cash flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Ian Clayden (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
DATE 10 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Jockey Club Estates Limited
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Statement of Comprehensive Income
for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	3	**7,318**	7,347
Cost of sales		**(6,409)**	(6,529)
Gross profit		**909**	818
Administrative expenses		**(878)**	(774)
		31	44
Gains from changes in fair value of investment properties	10	**96**	291
Profit on sale of fixed assets		**223**	230
Operating profit	4	**350**	565
Interest receivable and similar income	7	**43**	43
Interest payable and similar charges	8	**(80)**	(88)
Profit/(loss) on sale of financial investments		**92**	(9)
Gains/(losses) from changes in fair value of financial investments	11	**67**	(115)
Profit on ordinary activities before taxation		**472**	396
Taxation on profit from ordinary activities	9	**(146)**	(83)
Profit and total comprehensive income for the year		**326**	313

The notes on pages 13 to 27 form part of these financial statements.

Jockey Club Estates Limited

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Balance sheet
at 31 December 2019
Company number: 00944773

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Tangible assets	10		**37,651**		37,927
Financial assets	11		**767**		2,014
			38,418		39,941
Current assets					
Inventories	12	**217**		113	
Debtors	13	**2,274**		2,260	
Cash at bank and in hand		**1,505**		117	
		3,996		2,490	
Creditors: amounts falling due within one year	14	**(1,571)**		(1,640)	
Net current assets			**2,425**		850
Total assets less current liabilities			**40,843**		40,791
Creditors: amounts falling due after more than one year	15		**(3,072)**		(3,354)
Provisions for liabilities and charges	18		**(5,092)**		(5,084)
Net assets			**32,679**		32,353
Reserves					
Listed investments revaluation reserve			**210**		261
Property revaluation reserve			**23,039**		22,927
Profit and loss account			**9,430**		9,165
			32,679		32,353

The financial statements were approved and authorised for issue by the Board of Directors on 30 November 2020.

The Hon. Peter Stanley
Chairman

The notes on pages 13 to 27 form part of these financial statements.

Jockey Club Estates Limited
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Statement of Changes in Equity
for the year ended 31 December 2019

	Listed investments revaluation reserve £'000	Property revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
1 January 2018	470	22,587	8,983	32,040
Profit for the year	-	-	313	313
Total comprehensive income for the year	-	-	**313**	**313**
Transfer of unrealised gains and losses	(115)	291	(176)	-
Deferred tax on unrealised gains and losses	(30)	49	(19)	-
Transfer of realised gains and losses	(64)	-	64	-
	(209)	340	(131)	-
31 December 2018 and 1 January 2019	**261**	**22,927**	**9,165**	**32,353**
Profit for the year	-	-	326	326
Total comprehensive income for the year	-	-	**326**	**326**
Transfer of unrealised gains and losses	67	96	(163)	-
Deferred tax on unrealised gains and losses	(8)	16	(8)	-
Transfer of realised gains and losses	(110)	-	110	-
	(51)	112	(61)	-
31 December 2019	**210**	**23,039**	**9,430**	**32,679**

The notes on pages 13 to 27 form part of these financial statements.

Jockey Club Estates Limited
(A company limited by guarantee)

Statement of Cash Flows
for the year ended 31 December 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Profit for the financial year	**326**	313
Adjustments for:		
Depreciation and amortisation of fixed assets	**676**	698
Net fair value gains recognised in profit and loss	**(163)**	(176)
Net interest payable	**47**	54
Dividend income from fixed asset investments	**(10)**	(12)
Taxation expense	**146**	83
(Profit)/loss on disposal of fixed asset investments	**(92)**	9
Profit on disposal of tangible fixed assets	**(223)**	(230)
(Increase) in debtors	**(14)**	(293)
(Increase) in stocks	**(104)**	(38)
(Decrease) in creditors	**(251)**	(56)
Cash from operations	**338**	352
Interest paid	**(37)**	(44)
Taxation paid	**(41)**	(119)
Net cash generated from operating activities	**260**	189
Cash flows from investing activities		
Payments to acquire tangible fixed assets	**(337)**	(394)
Payments to acquire fixed asset investments	**(103)**	(537)
Proceeds from sales of tangible fixed assets	**696**	260
Proceeds from sales of fixed asset investments	**1,509**	696
Net cash used in investing activities	**1,765**	25
Cash flows from financing activities		
Repayment of finance leases	**(387)**	(543)
Repayment of loan	**(250)**	(250)
Net cash generated from / (used) in financing activities	**(637)**	(793)
Net increase / (decrease) in cash and cash equivalents	**1,388**	(579)
Cash and cash equivalents at beginning of year	**117**	696
Cash and cash equivalents at end of year	**1,505**	117
Cash and cash equivalents comprise:		
Cash at bank and in hand	**1,505**	117

The notes on pages 13 to 27 form part of these financial statements.

1 Accounting policies

General information

Jockey Club Estates Limited is a private company, limited by guarantee, registered in England and Wales.

The registered office and number are as stated on page 1.

Basis of preparation

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, and the Companies Act 2006.

The company's functional and presentation currency is GBP.

Going concern

The directors believe that the company has adequate resources to continue in operational existence for the foreseeable future and that the company is well placed to manage its business risks successfully. Accordingly, the financial statements have been prepared on the going concern basis.

The company monitors performance against annual budgets and regularly reviews and updates forecasts as required. The forecasts cover the period to 31 December 2021, being not less than 12 months from date of approval of the financial statements ("the going concern period").

The directors have considered the ongoing impact of COVID-19 on the horse racing industry and therefore, by extension, Jockey Club Estates. The impacts of COVID-19 have been and are likely to continue to be significant. However, horse numbers in Newmarket and Lambourn have remained strong and above levels that would require a significant change of strategy. The executive team continue to monitor key performance indicators on a regular basis and have reviewed operations to deliver efficiency improvements and cost savings through 2020.

The company's bank loans fall due for repayment within the period of 12 months after the date of the approval of these accounts. The directors are in the process of renewing the loan facility and are satisfied that, with sufficient security and other monetary and non-monetary assets, the existence of the requirement to refinance by February 2021 does not cast significant doubt on the company's ability to continue as a going concern. The balance on the loan facility is £1.0m at the time of approval of the financial statements, following repayments that have been made from existing cash surpluses subsequent to the year end and is expected to be refinanced in due course. Should the planned completion of the refinancing not proceed as expected, the company has cash and other assets available which could be disposed of or redeemed to provide sufficient liquidity for the company to meet its liabilities as they fall due over the going concern period. As a result of the above the board have concluded that it remains appropriate to prepare the financial statement on a going concern basis.

Revenue recognition

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the amounts can be reliably measured. Turnover represents amounts invoiced net of VAT and any trade discounts for goods and services provided.

Income from the training grounds and Jockey Club Rooms is recognised when the service is provided.

Rental income is recognised on a straight line basis over the term of the rental agreement.

1 Accounting policies *(continued)*

Pension contributions

Contributions to defined contribution schemes are recognised in profit or loss in the period in which they become payable.

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company has not adopted a policy of revaluation and has taken advantage of the transitional arrangements under FRS 102 which allow the carrying value of those assets which had been revalued prior to the transition date to be retained at that valuation. Where an asset that was previously revalued is disposed of, its book value is eliminated and an appropriate transfer made from the revaluation reserve to the profit and loss account.

Depreciation is charges so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Plant and machinery and fixtures	-	2 to 25 years
Vehicles	-	4 to 5 years

Paintings are not depreciated. In the view of the directors the useful economic life and expected residual value of the paintings is such that any depreciation charge arising would be immaterial.

Freehold buildings are not depreciated. In the view of the directors the useful economic life and expected residual values, together with the company's practice to maintain freehold buildings in a continual state of sound repair, means that any depreciation charge arising would be immaterial.

No depreciation is provided on freehold land and assets in the course of construction.

Where there is any evidence of impairment, the carrying values of tangible fixed assets are written down to recoverable amounts.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within profit or loss.

Cost of replacing part is added to the carrying amount of an item of fixed assets if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they were incurred.

1 Accounting policies *(continued)*

Heritage assets

Heritage assets are recognised at cost. Where cost is not available, and cannot be obtained without undue cost or effort to the company, the heritage assets are not recognised in the financial statements. The Jockey Club Estates Board is committed to adding new items to the Art collection. This is by acquisition of appropriate items and commissioning new pieces to capture key industry figures. A schedule of the collection is maintained for insurance purposes.

The management of the Art Collection is the responsibility of the Jockey Club Estates Board. The Board has appointed a Jockey Club Rooms member as Keeper of the Collection with responsibility to engage with art restoration and conservation experts to ensure the ongoing maintenance is completed. Tours of the collection are available by prior arrangement tours and may be booked via Discover Newmarket.

Investment properties

Land and buildings that are not considered integral to the principal activities of the company and are held for investment and rental purposes are treated as investment properties.

At the balance sheet date, investment properties were valued at fair value by the directors, supported as appropriate by independent, professionally qualified valuers, and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset.

Inventories

Inventories are valued at the lower of cost and estimated selling price less costs to sell. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs of disposal.

At each balance sheet date, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its selling price less costs to sell. The impairment loss is recognised immediately in profit or loss.

Financial assets and liabilities

Investments in listed company shares, which have been classified as fixed asset investments, are measured at market value at each balance sheet date with gains and losses recognised in profit or loss. The investment funds managed by Cazenove Capital are held for long-term capital growth. Changes in fair value are recognised in profit or loss.

Financial liabilities are initially recognised at the transaction price and, unless short-term in nature, are subsequently measured using the effective interest method.

Other financial instruments

The company only enters into basic financial instrument transactions. Except as stated above, no financial instruments are carried at fair value.

1 Accounting policies *(continued)*

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the company. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

2 Judgements and key sources of estimation uncertainty

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

In preparing these financial statements the directors have made the following judgements to:

- Determine whether properties owned are principally held for rental and/or capital appreciation and hence treated as an investment property. Those decisions include an assessment of whether properties are integral in delivering the principal activities of the company.

- Determine whether subsequent expenditure on freehold land and properties meets the definition of an asset and can be capitalised.

The following are the company's key sources of estimation uncertainty:

- Tangible fixed assets

  Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values where appropriate. The lives of assets and their residual values are assessed annually with factors such as the use of each asset and the typical life cycle and maintenance programme taken into account. A planned preventative maintenance policy is in place to ensure freehold buildings are maintained on a regular basis. As such it is estimated that the property asset value is appreciating and given the long term nature of the asset, no depreciation is charged in the accounts. This approach is reviewed annually to support the judgement made.

  Investment properties are included at fair value. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of estimation involved in that each property is unique and values can ultimately only be reliably tested in the market itself. Professional input is obtained as appropriate.

3 Turnover

An analysis of turnover by principal activity is as follows:

	2019 £'000	2018 £'000
Training Grounds	**5,175**	5,214
The Jockey Club Rooms	**1,275**	1,342
Commercial and Residential Property Rent (under operating leases)	**649**	573
Newmarket Equine Disposal Scheme	**219**	218
	7,318	7,347

4 Operating profit

	2019 £'000	2018 £'000
Operating profit is stated after charging / (crediting):		
Auditor's remuneration		
- for audit services	**22**	18
- for non-audit services	**7**	18
Depreciation:		
- owned assets	**389**	401
- leased assets	**287**	297
Operating lease rental payments	**171**	173

5 Staff costs

	2019 £'000	2018 £'000
Wages and salaries	**2,039**	1,926
Social security costs	**179**	178
Other pension costs - defined contribution schemes	**163**	157
	2,381	2,261

Employees

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

	2019 Number	2018 Number
Training Grounds	**35**	34
Rooms	**17**	17
Newmarket Equine Disposal	**2**	2
Administration	**5**	3
Property	**4**	3
	63	59

6 Directors' remuneration

	2019 £'000	2018 £'000
Emoluments	**134**	133
Pension contributions	**10**	10
	144	143

6 Directors' remuneration *(continued)*

During the year there was one director accruing benefits under the defined contribution pension scheme (2018 - one).

7 Interest receivable and similar income

	2019 £'000	2018 £'000
Income from fixed asset investments	**10**	12
Interest on balance owed from related party	**33**	31
	43	43

8 Interest payable and similar charges

	2019 £'000	2018 £'000
Finance leases	**12**	16
Bank loans and overdrafts	**68**	72
	80	88

9 Taxation on profit from ordinary activities

	2019 £'000	2018 £'000
Current tax		
UK corporation tax	**161**	95
Adjustments in respect of prior years	**(23)**	(31)
Total current tax	**138**	64
Deferred tax		
Origination and reversal of timing differences	**8**	19
Taxation on profit from ordinary activities	**146**	83

9 Taxation on profit from ordinary activities (continued)

Factors affecting tax charge for the year

The tax assessed for the year differs to the standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%). The differences are explained below:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	**472**	396
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2018 – 19.0%)	**90**	75
Effects of:		
Expenses not deductible for tax purposes	**2**	23
Income not taxable for tax purposes	**(59)**	(62)
Chargeable gains	**119**	35
Adjustments in respect of prior years	**(23)**	(31)
Adjustments in deferred tax rates	**-**	3
Deferred tax not recognised	**17**	40
Total tax charge for year	**146**	83

10 Tangible fixed assets

	Assets in the course of construction £'000	Investment properties £'000	Land and buildings £'000	Plant and machinery, fixtures, vehicles and paintings £'000	Total £'000
Cost or valuation					
At 1 January 2019	497	20,641	14,036	9,758	44,932
Additions	89	-	-	688	777
Reclassifications	(190)	-	145	45	-
Disposals	-	(190)	(246)	(363)	(799)
Revaluations	-	96	-	-	96
At 31 December 2019	**396**	**20,547**	**13,935**	**10,128**	**45,006**
Accumulated depreciation					
At 1 January 2019	-	-	-	7,005	7,005
Charge for the year	-	-	-	676	676
Disposals	-	-	-	(326)	(326)
At 31 December 2019	-	-	-	**7,355**	**7,355**
Net book value					
At 31 December 2019	**396**	**20,547**	**13,935**	**2,773**	**37,651**
At 31 December 2018	497	20,641	14,036	2,753	37,927

Finance leases

The net book value of plant and machinery includes £788,000 (2018 - £703,000) in respect of assets held under hire purchase contracts and finance leases.

Heritage assets

In addition to the tangible fixed assets disclosed above, the company owns paintings, prints and silver which were gifted to the company. Due to the length of time that the company has owned the assets, the company is unable to determine the cost of those assets at the date the items were gifted without undue cost or effort and they are therefore not recorded in the financial statements. The directors have no intention of disposing of them due to their heritage nature and there were no disposals in the year. These heritage assets have been valued for insurance purposes at £21.2m (2018 - £21.2m).

10 Tangible fixed assets (continued)

Investment properties

At the balance sheet date, the freehold investment properties are valued at fair value by the directors supported as appropriate by independent, professionally qualified valuers every 5 years; the last external valuation took place in December 2018. Where valuations have been sought they are undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

Details on the assumptions made and the key sources of estimation uncertainty are given in note 2.

The surplus on revaluation of investment properties of £96,000 (2018 - surplus of £291,000) has been credited to profit or loss.

If the investment properties had been accounted for under the historical cost accounting rules they would have been recorded as follows.

	2019 £'000	2018 £'000
Cost	298	298
Disposals	(3)	-
	295	298

Land and buildings

Land and buildings include freehold buildings with a cost, or deemed cost based on a previous valuation, and carrying value of £13,935,000 (2018 - £14,036,000).

If the freehold land and buildings had been accounted for under the historical cost accounting rules they would have been recorded as follows:

	2019 £'000	2018 £'000
Cost	6,137	5,995
Additions	-	142
Transfers	145	-
Disposals	(246)	-
	6,036	6,137

11 Financial assets

	UK listed investments £'000	Other loans, Investments £'000	Total £'000
Market value			
At 1 January 2019	1,764	250	2,014
Additions	103	-	103
Disposals	(1,417)	-	(1,417)
Movements in fair value	67	-	67
At 31 December 2019	**517**	**250**	**767**
At 31 December 2018	1,764	250	2,014

If the UK listed investments had been accounted for under the historical cost accounting rules they would have been recorded as follows:

	2019 £'000	2018 £'000
Cost	**341**	1,477

Other loans and investments comprise an unsecured loan of £250,000 to Jockey Club Racecourses Limited (this loan is non-interest bearing and has no fixed repayment date) and a 10% shareholding in the Jockey Club Racecourse (Holdings) Limited at par of £200.

12 Inventories

	2019 £'000	2018 £'000
Rooms stock	**115**	104
Heath stock	**102**	9
	217	113

13 Debtors

	2019 £'000	2018 £'000
Trade debtors	**681**	760
Amounts owed from related parties	**1,376**	1,242
Prepayments and accrued income	**217**	258
	2,274	2,260

14 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Borrowings (note 16)	**196**	138
Trade creditors	**146**	416
Amounts owed to related parties	**135**	124
Corporation tax	**161**	65
Other taxation and social security	**159**	151
Other creditors	**64**	76
Accruals and deferred income	**710**	670
	1,571	1,640

15 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Borrowings (note 16)	**2,977**	3,234
Accruals and deferred income	**95**	120
	3,072	3,354

Deferred income includes £44,000 (2018 - £48,000) which is falling due after five years.

16 Borrowings

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Obligations under hire purchase contracts	**196**	138
	196	138
Amounts falling due after one year:		
Bank loans (secured)	**2,750**	3,000
Obligations under hire purchase contracts	**227**	234
	2,977	3,234

16 Borrowings (continued)

	2019 £'000	2018 £'000
Amounts falling due after one year are repayable as follows:		
Between one to two years	**2,894**	128
Between two to five years	**83**	3,106
	2,977	3,234

The bank loan is secured by a first charge on the company's freehold land and buildings at Lambourn which are carried in the financial statements at cost of £2.4m (2018 - £2.4m). Obligations under hire purchase agreements are secured on the assets concerned.

17 Financial instruments

	2019 £'000	2018 £'000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**3,562**	2,119
Financial liabilities		
Financial liabilities measured at amortised cost	**(4,103)**	(4,554)

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, loans, other creditors, amounts owed to group undertakings and accruals.

18 Provisions for liabilities and charges

	Total £'000
At 1 January 2019	5,084
Transfer from / (to) profit and loss	8
At 31 December 2019	**5,092**

The provision relates to deferred tax in relation to unrealised gains in value of the investment property and financial investment portfolio.

18 Provisions for liabilities and charges (continued)

The deferred tax liability is analysed as follows:

	2019 £'000	2018 £'000
Listed investment revaluations	**56**	63
Property revaluations	**5,037**	5,021
	5,093	5,084

19 Commitments under operating leases

The company had future minimum lease payments under non-cancellable operating leases as detailed below:

	2019 £'000	2018 £'000
Within one year	**98**	105
Within two to five years	**10**	32
	108	137

20 Rentals to be received under operating leases

The company had future minimum lease amounts receivable under non-cancellable operating leases as detailed below:

	2019 £'000	2018 £'000
Within one year	**105**	106
Within two to five years	**369**	242
After five years	**1,303**	1,353
	1,777	1,701

21 Related party transactions

The parent company is The Jockey Club, a company incorporated by Royal Charter in England and Wales, some of whose members are members of the company. The Jockey Club is the largest group which consolidates the results of the company.

For the purposes of financial reporting, The Jockey Club (JC) is also considered to be the controlling party as JC have the right to exercise a dominant influence over the company's operating and financial policies by virtue of the provisions of the Articles of Association under which JC approves the members of the Jockey Club Estates Limited Board.

Jockey Club Racecourses (Holdings) Limited (JCRH), The National Stud Limited (NSL), Jockey Club Services Limited (JCS), Racing Welfare (RW) and Jockey Club Farming Company Limited (JCFC) are fellow subsidiaries of The Jockey Club.

Jockey Club Services was established in 2014 to provide outsourced business services including, but not limited to, accounts processing, HR, IT and payroll services.

The following transactions occurred and balances were outstanding with related parties during the year:

	JCS £'000	JC £'000	JCRH £'000	NSL £'000	JCFC £'000	RW £'000
2019						
Sales	-	8	115	105	-	108
Expenditure	56	165	192	-	-	9
Balances in investments	-	-	250	-	-	-
Balances in debtors	-	-	34	42	1,275	24
Balances in creditors	-	-	135	-	-	-
2018						
Sales	-	15	130	68	-	36
Expenditure	67	165	233	-	-	-
Balances in investments	-	-	250	-	-	-
Balances in debtors	-	3	42	14	1,242	12
Balances in creditors	-	-	124	-	-	-

Furthermore, during the year certain directors use The Jockey Club Rooms and have interests in bloodstock that use the training grounds. These transactions were not significant for either the individual or the company and are a normal part of the trading activities conducted on an arm's length basis.

The company has charged properties with a carrying value of £7.7m (2018 - £7.7m) against the Group's obligations and liabilities to make payments pursuant to The Jockey Club Racecourses Pension Scheme in the event of insolvency proceedings taken in respect of The Jockey Club, Jockey Club Racecourses (Holdings) Limited or Jockey Club Racecourses Limited.

Key Management

Key management consists of senior management across the company who together have the authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel, including the amounts shown as directors' emoluments in note 6, for services provided to the company, was £418,000 (2018 - £439,000).