

Registered number: 00080774

NEWBURY RACECOURSE PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



COMPANY INFORMATION

Directors	D J Burke J Dodds M Leigh (Appointed 14 April 2020) J McGrath J M Thick C E Spencer (Resigned 30 April 2020)	B R Burrough The Hon H M Herbert Lady Lloyd-Webber N W E Penser M L Thompson
Company secretary	M Leigh	
Registered number	00080774	
Registered office	The Racecourse Newbury Berkshire RG14 7NZ	
Independent auditors	KPMG LLP 2 Forbury Place 33 Forbury Road Reading RG1 3AD	
Bankers	Royal Bank of Scotland Abbey Gardens Reading RG1 3BA	
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CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

As I write this statement the news is still dominated by the ongoing coronavirus pandemic and the financial and operational impact this has had, and will continue to have, on the business. The British Horseracing Authority's decision to suspend all horseracing in the UK with effect from 17th March has been enormously disruptive to the business, and while we were delighted to be able to restart racing 'Behind Closed Doors' in June, the financial impact of the loss of a number of racedays and racing crowds has been severe. We continue to develop our detailed forecasts to help us to understand and respond to the constantly changing environment, but there remains significant uncertainty regarding the ongoing impact of Covid-19 on the business. It is our belief that these financial statements are properly prepared on a going concern basis.

The major investment we have made into our racecourse facilities and infrastructure over recent years has been to position Newbury Racecourse for the future, in line with our strategic objective to be a modern and leading racecourse, entertainment and events business. We entered 2020 with ambitious targets and a clear strategy to drive further growth in our business and I am confident that the Company is in a secure position to trade through the current crisis. We will then be well placed to resume normal trading activities as soon as it is safe and permitted to do so. I cover this in more detail below.

2019 Financial Performance

Total turnover grew by 3% to £19.84m in 2019. We saw top line growth across all areas of the business, with a like for like increase in racing revenues of 2%, together with a 25% growth in our Conference and Events business (off the back of 22% growth in 2018). It was also a solid year for the Rocking Horse Nursery with a 3% revenue growth and a 21% increase in revenue generated from The Lodge hotel operation.

Operating profits were £0.6m in the year (2018: £1.76m), which was net of exceptional losses of £0.4m (2018: exceptional profits £0.92m). Profit after tax was £0.63m (2018: £1.79m).

Racing Highlights

The 2019 racing programme was another fascinating and thrilling year with our highest paying attendance in five years, due mainly to two successful Party in the Paddock events.

February's Betfair Saturday was regrettably abandoned as a result of the equine influenza outbreak, but it was an insured fixture, so the financial loss was partly mitigated. We were delighted to host the retiring Noel Fehily at our finale meeting at the end of March which saw most of Lambourn descend on Newbury to wish him well.

The 2019 flat season got underway with the Dubai Duty Free Spring Trials Weekend and we were once again delighted to welcome Her Majesty The Queen for the afternoon. We achieved competitive renewals of both the Watership Down Stud Greenham Stakes as well as the Dubai Duty Free Stakes. Dubai Duty Free will celebrate their 25th year of sponsorship at Newbury in 2020 and we are so grateful for their continued support. The £750,000 Al Shaqab Lockinge Day was attended by over 11,200 racegoers, a 5% increase on last year. A fantastic card and a wide open Lockinge, made for competitive viewing, with the Sir Michael Stoute-trained, *Mustashry*, landing the spoils and narrowly beating the wonderful mare *Laurens*. Betting turnover was up on the day and strong viewing figures of over 700,000 on ITV's main channel was encouraging to see. We are once again grateful to Al Shaqab for their continued support of this race following a further five-year extension to their sponsorship announced at the end of July 2019.

Returning visits from Tom Jones, who performed at the Weatherby's Super Sprint meeting in July, as well as Madness for our Hungerford meeting in August proved to be extremely popular with over 44,000 racegoers across the two events.

As we turned to the Jumps once more, we were lucky to watch the popular stayer, *Paisley Park* begin his 2019/20 campaign in the Ladbrokes Long Distance Hurdle followed up with *De Rasher Counter* winning the Ladbrokes Trophy in fine style for trainer, Emma Lavelle. We were pleased to report a 3% increase on the previous year's attendance and this two-day meeting really does now signal the start of the Festive season for many. Positively, we also ended the year with increased attendances on Challow Hurdle Day which always has a family feel to it.

The Development

The re-modelling of the main parade ring and improvements to the areas behind the stands were completed during 2019 and we are delighted with the end result and the positive feedback from patrons. Works on the Annual Members' facilities, including an upgrade of the Carnarvon Room in the Berkshire Stand and the creation of a new dedicated members facility in the Hampshire Stand were also completed. The restoration and refurbishment of the Royal Box end of the Berkshire Stand is now very nearly complete and will mark the end of our major redevelopment of the racecourse heartspace and facilities.

Our redevelopment has delivered a first class venue so we can continue to host racing of the highest quality, as well as having facilities which are well placed to meet the increasing demands of the modern day consumer, from horsemen and racegoers, to conference and hotel guests, nursery patrons and local residents. Our redevelopment will enable us to continue growing our already well diversified business activities and maximise the returns from our investment.

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The David Wilson Homes residential development continued through 2019 and is now into its final phase with approximately 1,000 of the total c.1,500 homes now built.

Trading since March 2020

Following the suspension of horse racing in Britain on 17th March, and the subsequent government 'lockdown', the Company was forced to cease all of its trading activities encompassing our racing, hotel and conference events, whilst the children's nursery was only able to remain open for a very small number of children of key workers. The consequence of these actions has had a material negative impact on our trading and financial performance since that date.

Throughout the shutdown period the Newbury team continued to work closely with all relevant parties and were ready to resume racing Behind Closed Doors ("BCD") on 11th June. To date we have now hosted 6 BCD racedays and have been pleased to see betting shops able to reopen allowing much needed Licenced Betting Office and media rights revenue to resume, albeit at a reduced level. For transparency, as has always been the case, these income streams will be separately identifiable within the financial statements.

The Rocking Horse Nursery reopened to a reduced number of children on 1st June and we are anticipating it being back up to 'run-rate' by the end of September following the Government's announcement to remove class size limits from 20th July. However, our other two businesses, The Lodge Hotel and our Conference and Events business remain closed and based on the current demand projections we are not expecting either of these to be able to generate positive cashflows until 2021. Also, whilst our normal trading has been disrupted, we have reacted quickly to launch our 'Pub in The Paddock' outdoor hospitality venue and Car Park Party events to help us re-activate our business.

Financing and Liquidity

We have fully drawn down the revolving credit facility provided by National Westminster Bank plc as our cash reserves have been depleted during the period of minimal income against a cost base which is relatively fixed to support our year-round operation. Whilst it has not been necessary to extend these bank facilities, we have agreed with the bank to remove the existing covenants and replacing them with a single measure, based on minimum liquidity levels, tested through to April 2022, by which time we expect to receive £10.9m (being the final amount in relation to the residential development at the racecourse) from David Wilson Homes, a wholly owned subsidiary of Barratt Developments plc. We have also agreed to extend the date for the final repayment of the loan to Compton Beauchamp Estates Limited from November 2020 to April 2022 which coincides with the date when we expect the final payment from David Wilson Homes.

Outlook and Impact from Coronavirus

As a result of our financial position, it will be some time until we can return to offering the levels of prize-money to which the industry has become accustomed. In 2019 our executive contribution to prizemoney (adjusted for abandonment days) was £2.27m, which on a like for like, full year basis, represents a near doubling of our executive contribution in 6 years. We are proud of this growth in executive contribution and are committed to returning to providing substantial levels of prizemoney in the future, but there inevitably needs to be a correction in the short to medium term until the Company returns to profitability.

We are proud to have played our part in helping the local West Berkshire community at this testing time, through our involvement supporting Age Concern with Meals on Wheels, preparing and delivering hot food for elderly people during the coronavirus crisis and also the NHS who we allowed to use, free of charge, our facilities as a local testing centre.

Whilst the situation remains uncertain, the Board has taken and continues to evaluate a number of possible actions to balance the short-term conservation of cash with the long-term needs of the business. The specific actions we have taken to date include;

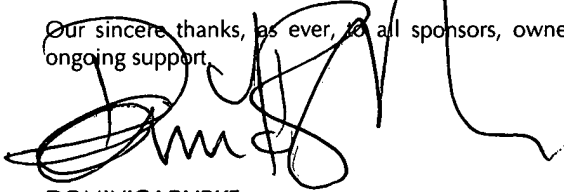
- We have ceased all discretionary spending of both a revenue and capital nature.
- Some two thirds of our employees have been placed on furlough, being the Government's Coronavirus Job Retention Scheme. Other staff, including the senior management team, have accepted a voluntary pay cut.
- All Non-Executive Director fees have been waived for 2020.
- A reorganisation and cost saving exercise has been undertaken leading to 19 staff (18% of the permanent workforce) being made redundant.

The Board is confident that the Company has the financial resources to trade through this period. However, the financial impact of the cessation in racing and the loss of racegoer attendance until October 2020 at the earliest remains substantial. Typically, in a normal year, admissions, catering and hospitality raceday revenues represents c50% of the Company's turnover. These incomes have been severely curtailed. Understandably, this will result in the business reporting a substantial loss for 2020 compared with recent profits.

**CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

In conclusion, on behalf of the board, I would like to thank all the staff for their continued hard work, resolve and commitment to the business during these extraordinary challenging times.

Our sincere thanks, as ever, to all sponsors, owners, trainers, stable staff, members, racegoers and all customers for their ongoing support.



DOMINIC J BURKE
Chairman

31 July 2020

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

STRATEGY AND OBJECTIVES

The Board's long-term strategy is for Newbury Racecourse to be a profitable, leading racecourse, entertainment and events business, with racing at its core. One of the key aims of this Strategic Report is to set out and appraise the business model through which we deliver that strategy.

THE BUSINESS MODEL

Newbury Racecourse plc is the parent of a Group of companies which own Newbury Racecourse and engages in racing, hospitality and associated food and beverage retail activities. In addition, the Group operates a conference and events business, a children's nursery, and an on-site hotel. Alongside its trading activities, the Group also owns freehold property from which it receives annual income and also benefits from the sale of residential properties on the site, as part of its long-term development agreement with David Wilson Homes.

PERFORMANCE REVIEW

2019 was a year which saw continued positive financial growth in a number of key areas of the business, despite the challenging backdrop of declining LBO revenues and the ongoing operational challenges of the redevelopment. We were delighted to be named, once again, as one of the top racecourses in the UK by VisitEngland and, for the fifth consecutive year, to be awarded the Racecourse Association and VisitEngland Excellence Accolade for customer service.

Racing

The accounts include a total of 29 days racing (2018: 29) comprising 11 days National Hunt racing (2018: 11) and 18 days flat racing (2018: 18). Two days racing were unfortunately abandoned as a result of the equine flu outbreak in February and waterlogging in October (2018: 2 meetings abandoned).

Overall raceday attendances in 2019 increased by 3% to 178,000 (2018: 173,000), with over 44,000 enjoying Tom Jones in July and Madness in August for the Party in the Paddock music events.

May marked the fifth year of Al Shaqab's sponsorship of Lockinge Day, Newbury's richest race meeting, which was attended by more than 11,000 racegoers, being a 5% increase on 2018's attendance. This meeting continues to be the flagship event in our flat racing calendar, with Al Shaqab confirming their continued support of this race following a further five-year extension to their sponsorship announced at the end of July 2019.

Our longstanding association with the Dubai International Arabian Races Committee continued in 2019 and we were, once again, delighted to host its flagship UK race meeting at Newbury in July.

Our cornerstone jump meeting, The Ladbrokes Winter Carnival, at the beginning of December, marked the third year of our five year partnership with Ladbrokes. We and the sponsors were pleased to once again see strong attendances across the two day meeting of almost 24,000, being a 3% increase on 2018's attendance.

We maintained our total prizemoney for 2019 at £5 million but, like many other racecourses, we will need to manage carefully our future prizemoney commitments, as a result of both the ongoing expected decline in LBO revenues and the impact of the COVID-19 situation. We are grateful for the ongoing support of all our sponsors, with particular thanks to Al Shaqab Racing, bet365, Betfair, Betway, Dubai Duty Free and Ladbrokes for their investment in 2019.

Conference and Events

The Conference & Events sales team have continued to focus on proactive selling and relationship building within key sectors, including automotive, telecoms and location filming and we were pleased to host a number of large and prestigious events during 2019. We saw good levels of growth in both enquiries and conversion rates and the redeveloped facilities have been well received by clients.

Catering, Hospitality and Retail

Our in-house catering operation continues to underpin the delivery of food and beverage retail activities across all of our businesses. Over recent years we have invested time and resource into improving the catering offer to our customers and we have seen improved spends per head and feedback as a result. During 2019 we undertook a fundamental review of our catering procurement and have significantly rationalised our supplier chain as a result, which will deliver both improved margins and efficiencies.

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Rocking Horse Nursery

The nursery had another strong year in 2019 and is a key contributor to the overall profitability of the business. It is now operating at near optimal capacity and the focus has therefore been on improving margins, whilst maintaining the very highest levels of care and early years learning standards, through continued investment in the equipment, facilities and staff training.

The Lodge

The Lodge hotel operation has delivered good levels of growth over the last three years since opening to the general public and in 2019 we saw improvements in both average occupancy and average room rates. The Lodge continues to fulfil the important raceday requirement of providing accommodation to travelling stable staff, in addition to this it supports our conference, events and weddings business and has become a popular choice for many business travellers to the local area.

We were pleased to secure planning consent for the permanent change of use for The Lodge during 2019, securing the future trading prospects of the hotel and giving us the option to extend the facility from its current 36 bedrooms to 80 bedrooms at a future date, if viable.

The Redevelopment

The major development of the racecourse heartspace was largely completed in 2019, with the works on the Annual Members facilities including an upgrade of the Carnarvon Room in the Berkshire Stand and the creation of a new dedicated members facility in the Hampshire Stand both completed. The restoration and refurbishment of the Royal Box, including new racing integrity (camera) positions and enhanced public facilities on the ground floor, commenced in the autumn of 2019 and were expected to take approximately 6 months to complete at an estimated cost of £2.5m. Works have been slightly delayed, but are expected to now be completed during the summer of 2020 and remain within budget.

The David Wilson Homes (DWH) residential development continued to progress during 2019 with the Central Area apartments now fully completed and 100% sold and construction has continued in the Eastern Area. Approximately 1,000 homes out of the total c.1,500 are now built. Cash receipts from DWH from the sale of properties in 2019 were £1.09m. The final date for the balance of the guaranteed minimum land value to be paid by DWH is April 2022 and as at 31 December 2019 the balance outstanding was £11.0m.

FINANCIAL COMMENTARY

Consolidated Group profit before tax in the year ended 31 December 2019 was £0.49m (2018: £1.48m) which includes £0.42m of exceptional losses (2018: £0.92m exceptional profits).

Total turnover in 2019 increased by 3% (£0.55m) to £19.84m (2018: £19.29m). Overall racing revenues, excluding the impact of capital credits claimed, grew by 2% (£0.25m). Despite two abandonments in the year (2018: 2 abandonments) like for like growth in racing revenues was £0.27m (2%). Overall media and betting rights revenues decreased by c. £0.13m (3%), to £4.46m for the twelve months to 31 December 2019, as the anticipated impact of the government FOBT reform and subsequent reduction in Licenced Betting Offices (LBO) revenues started to take effect towards the end of 2019 and is expected to continue to decline into 2020, as previously reported. Conference and Events revenues increased by 25% (£0.26m) versus 2018, to £1.32m, primarily as a result of a 44% increase in average spend per event.

Our catering, hospitality and retail business saw overall year on year growth in revenues of 4%, £0.19m. Raceday catering revenues were 7% up on 2018 on a like for like basis, with conference catering revenues up 14% as a result of the improved Conference & Events business in the year. Rocking Horse Nursery turnover increased by 3% to £1.47m with gross operating profits of £0.50m, an improvement of 2% on 2018. Turnover for The Lodge, our on-site hotel, increased by 21% year on year to £0.86m, driven by an average occupancy increase of 10% and an improvement in average room rate of 3% across the year. Gross operating profits for The Lodge operation were £0.17m (2018: £0.10m).

Total costs increased by 4% to £19.20m (2018: £18.45m). Administration expenses were broadly in line with 2018 at £2.98m, however overall Gross Profit margin was approximately 2% worse than 2018, largely as a result of higher music artist costs, increased business rates, utility costs and grounds maintenance.

The fair value gain in the Profit & Loss of £0.39M is in respect of investment property (commercial land) owned by the Group, which was revalued during the year to reflect benchmarked local market commercial land values.

Exceptional losses during 2019 were £0.42m (2018: £0.92m exceptional profits) being the movement in the fair value of the DWH debtor.

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Overall operating profit before interest was £0.60m (2018: £1.76m). The tax credit of £0.15m (2018: credit £0.31m) relates to the movement in deferred tax during the period. Profit after tax was £0.63m (2018: £1.79m).

The decrease in cash reserves of £0.95m in the period (2018: £2.89m decrease) includes £2.80m of cash generated from operating activities, £1.09m of cash receipts from DWH in respect of properties sold in the period and is net of £2.86m of capital expenditure, together with £2.47m of scheduled loan repayments.

KEY PERFORMANCE INDICATORS

The Group uses raceday attendance, trading operating profit and cash generated from operating activities, as the primary performance indicators. Total attendance was 178,000 (2018: 173,000). Operating profit is shown within the profit and loss account on page 19 and cash generated from trading activities is shown within the consolidated statement of cashflows on page 25.

PRINCIPAL RISKS AND UNCERTAINTIES

Impact of COVID-19

The current global pandemic and the necessary restrictions this has placed upon business activities and public movement, creates huge uncertainties for trading in 2020. The Company's response to this risk is covered below as well as in the Chairman's Statement and the Going Concern Basis of Preparation.

Cashflow Risk

The main cash flow risks, under normal trading circumstances, are the vulnerability of race meetings to abandonment due to adverse weather conditions and fluctuating attendances particularly for the Party in the Paddock events, together with the possibility of delayed property receipts from David Wilson Homes. The practice of covering the racetrack to protect it from frost and investment in improved drainage, as well as insuring key racedays, largely mitigates the raceday risk. Regular review of variable conferencing costs reduces the impact of a decline in conference sales. The timing and amount of receipts from David Wilson Homes is dependent upon the rate of sales of residential plots. The risk of delayed receipts is mitigated to some extent by the long stop dates in the sale agreement, in respect of the minimum guaranteed land value. Short term cash flow risk is mitigated by regular review of the expected timing of receipts and by ensuring that the Group has committed facilities in place in order to manage its working capital and investment requirements.

Credit Risk

The Group's principal financial assets are trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts in the balance sheet are net of allowances for doubtful receivables. Payment is required in advance for ticket, hospitality, sponsorship, and conference and event sales, reducing the risk of bad debt. The David Wilson Homes debtor is backed by a parent company guarantee from Barratt Developments plc.

Liquidity Risk

In order to maintain liquidity to ensure that sufficient funds are available for both ongoing operations and the property redevelopment, the Group uses a mixture of term debt and revolving credit facilities which are secured on the property assets of the Group. The Board regularly review the facilities available to the Group to ensure that there is sufficient working capital available.

Price Risk

The Group operates within the leisure sector and regularly benchmarks its prices to ensure that it remains competitive, as well as having a dynamic pricing model in place.

Cost Risk

The Group has had a historically stable cost base. The key risks are unforeseen maintenance liabilities, movement in utility costs and additional regulatory costs for the racing business. A programme of regular maintenance is in place to manage the risk of failure in the infrastructure, while utility contracts are professionally managed. The Group is a member of the Racecourse Association, a trade association which actively seeks to manage increases in regulatory risk.

Interest Rate Risk

The Group manages its exposure to interest rates through an appropriate mixture of interest rate caps and swaps, where necessary.

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

GOING CONCERN

The Board has undertaken a full and thorough review of the Group's cash flow forecasts and associated risks and sensitivities, over the next twelve months and through to the David Wilson Homes longstop receipt date in April 2022. The extent of this review reflects the current economic climate, particularly COVID-19, as well as specific financial circumstances of the Group.

Base Case Scenario

The Board reviews the cash flow and working capital requirements in detail on a frequent basis, whilst under the current COVID-19 circumstances the regularity of this scrutiny has increased. Key trading assumptions made within the cash flow projections base case scenario include:

- Racing taking place behind closed doors for the remainder of the 2020 flat season with capped attendance for the National Hunt racing season through to Spring 2021. Further capping is anticipated, but at a higher level, for the 2021 flat season, whilst we expect racing and crowds to return to their normal levels during Summer 2021. Newbury has already held three race days in June and will hold an additional three in July and two in August this year, all behind closed doors.
- The three planned 2020 Party in the Paddock concerts will not take place and one during 2021 is expected to be lost.
- Licenced Betting Offices have already re-opened on 15th June but will provide lower revenue streams than planned for the remainder of this year and into 2021.
- The Hotel and Conference & Events businesses will not generate any further revenue during 2020 and both areas will expect to trade at break-even in 2021.
- Following its provision for key workers only, the Nursery was able to re-open on 1st June at a lower capacity. However, the business has been able to charge a proportion of fees to allow others to retain their places. Within our scenario, full operation will return from 1st September 2020, on a phased basis, with full levels of profitability returning from the start of 2021.

Alongside these trading businesses the following additional actions have been taken:

- Since the March lockdown, overheads have been reduced to the minimum required to keep the respective sites functioning whilst all facilities, except the Nursery, remained closed.
- Newbury has taken advantage of the Government's Coronavirus Job Retention Scheme and furloughed two thirds of permanent salaried employees from late March as well as obtaining business rate relief through to March 2021.
- Many of those staff who have been retained to work agreed to accept voluntary pay cuts through to the end of September 2020.
- A restructuring of the organisation was implemented during July which will reduce the on-going overhead costs substantially and allow the business to flex the workforce as, and when, the trading position improves.
- Agreement has been confirmed with NatWest Bank on the waiving of existing financial covenants relating to the fully drawn £6m credit facility, and instead replacing them with a single minimum liquidity level covenant of £600,000.
- The final loan payment due to Compton Beauchamp Estates in November 2020 has been deferred until April 2022. The final minimum land payment of £10.9m due from David Wilson Homes (and guaranteed by Barratt Developments plc) is expected to be received by April 2022.
- Progression of the disposal of previously targeted non-core assets has continued.
- 2020 Capex has been restricted to only that already committed plus a contingency allowance. 2021 Capex reduced to £250,000 (currently uncommitted). All non-essential expenditure has been ceased.

Severe but plausible downside Scenario

The impact of COVID-19 is constantly being assessed and the situation (along with Government support) is subject to continual change. This makes it very difficult to assess with any certainty how the situation will evolve. However, the easing of the Government's lockdown has meant that the racing and hospitality businesses as well as our nursery operations have been able to plan accordingly. Whilst the board is confident that the assumptions used in the base case are reasonable, mitigating plans have been developed should there be any substantially adverse change to the anticipated liquidity over the period.

This severe but plausible downside scenario considers the potential of a 'second spike' of COVID-19. Under this scenario racing will remain behind closed doors for the remainder of 2020, with no crowds possible until the start of next year. If LBO's are required to close under specific circumstances, such as regionally, then we have modelled that this income reduces to c60% of current forecasts through to the end of 2020. We have also considered that the nursery will revert back to supporting key workers only for a period of 3 months. In addition to this, the sale of the previously identified non-core asset has also been removed from the downside scenario.

In the unlikely scenario that these events do all occur, additional mitigation plans have been put in place and will be implemented, if required, in order to ensure that sufficient headroom for liquidity and covenant can continue to be achieved.

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

These include:

- A further substantial reduction to 2020 and 2021 Capex to exclude all but committed Capex.
- Bonuses & LTIP payments being deferred until the cash position is deemed sufficient.
- Further salary and management structure contingencies being executed including the extension of voluntary wage reductions by the senior management team throughout 2021.
- A reduction to prize money and food & beverage facilities provided on race days (once resumption takes effect).

Other mitigation measures are possible but have not been included in the severe but plausible downside scenario. The Company has the ability to draw on funding options provided by the racing industry and would accelerate the evaluation of a number of material non-core assets for potential disposal. If a second spike does occur, then it is assumed that the Government will extend financial support to businesses.

The Group has committed credit facilities, which are in place as an effective bridging facility through to April 2022, and the Board has concluded that it has a reasonable expectation that the Group and parent company has adequate resources, banking facilities and arrangements in place to continue in operational existence for the foreseeable future and therefore the going concern basis has been adopted in preparing the financial statements.

Nonetheless, as at the date of this report, the possible impact of COVID-19 provides a level of uncertainty as the situation for the racing industry and our other businesses continually changes. The Board continues to monitor this routinely and to develop detailed forecasts in response to the changing environment and through reviews of mitigation and contingency plans.

CORPORATE AND SOCIAL RESPONSIBILITY

Employee Consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company. This is achieved through formal and informal meetings, and distribution of the annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Policy on Payments to Suppliers

Although no specific code is followed, it is the Group's and Company's policy, unless otherwise agreed with suppliers, to pay suppliers within 30 days of the receipt of an invoice, subject to satisfactory performance by the supplier. The amount owed to trade creditors at 31 December 2019 is 4% (2018: 3%) of the amounts invoiced by suppliers during the year. This percentage, expressed as a proportion of the number of days in the year, is 16 days (2018: 10 days).

Disabled Employees

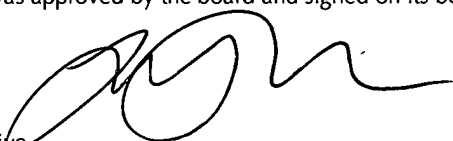
Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Charitable Donations

During the year the Group made charitable contributions totalling £5,905 to national charities (2018: £3,560).

This report was approved by the board and signed on its behalf by:

J M Thick
Chief Executive



31 July 2020

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Sponsors in the year to 31 December 2019

We would like to thank our leading sponsors for their significant support in 2019;

Al Shaqab
Betfair
British European Breeders Fund
Dubai Duty Free
Molson Coors
Ladbroke's
Marsh JLT Specialty Ltd

We also received much appreciated support from the following sponsors;

137 Gin Distillery	Irish Thoroughbred Marketing
Agetur	Irwin Mitchell Private Wealth
Archie Watson Racing	Kennet Shopping
Awdry Bailey and Douglas	KKA Architecture
Be Wiser Insurance	Mansion Bet
Bet Victor	Matthew Fedrick Farriers
bet365	Melbourne 10
Betway	Mencap West Berkshire
BJP Insurance	Mildmay Farm
Bloor Homes	Mirage Signs
Bridget Drew	Newbury BID
British Horse Society	Newbury Weekly News
Byerley Stud	Oakgrove Stud
Calder and Grandidge	Oakley Coach Builders
Christopher Smith Associates	Pertemps Network
Churchill Retirement Living	Pimms
Coln Valley Stud	Powersolve Electronics
Comax	Premier Food Courts
Compton Beauchamp	Prodec Networks Ltd
Conundrum Consulting	Pump Technology
CoverMarque	Raynor Bosch
Crossland Employment Solicitors	Regus
CSP	Relyon Cleaning
Denford Stud	Ross Brooke Chartered Accountants
Dreweatts	RosSDales Veterinary Surgeons
Enotria & Coe	Sir Peter O'Sullivan Trust
Equine Productions	SIS
European Breeders Fund	South Downs Water
Event Bar Management	Spinal Injuries Association
Freixenet Copestick Ltd	Starlight Children's Charity
Frontier	The Energy Check
Goffs UK	The Mortgage Branch
Greatwood Charity	Thatcham Butchers
Grundon Waste Management	Thoroughbred Breeders Association
Haynes Hanson and Clark	TT Tents
Heatherwold Stud	Unibet
Horatio's Garden	Watership Down Stud
Horris Hill School	Weatherbys Bank
Hot to Trot Racing	West Berkshire Brewery
InDzine	West Berkshire Racing Club
	William Hill

There were also 9 races sponsored for birthdays, retirement or in memoriam.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The Directors present their report and the Group and parent company financial statements for the year ended 31 December 2019.

RESULTS AND DIVIDEND

The profit for the year, after taxation, amounted to £630,000 (2018: £1,792,000).

The Directors have recommended that no final dividend be paid (2018: none).

MARKET VALUE OF LAND

The balance of the racecourse operational site was valued by a third party on 29 October 2012 at £14.5m and the directors consider this to be a fair reflection of the market value as at 31 December 2019. The net book value of the land held in the balance sheet is £14.1m.

DIRECTORS

The Directors who served during the year, held office at the year end and their interests, including family interests, in the ordinary shares of the Company at the beginning and end of the financial year under review were as follows:

	Beneficial interest 2019	Beneficial interest 2018
D J Burke	107,365	48,333
B R Burrough	-	-
J Dodds	-	-
The Hon H M Herbert	12,924	12,924
M Leigh (appointed 14 April 2020)	-	-
Lady Lloyd-Webber	319,656	319,656
J McGrath	-	-
N W E Penser	-	302,327
Compton Beauchamp Estates Ltd *	1,370,400	1,068,073
C E Spencer (resigned 30 April 2020)	-	-
B T Stewart-Brown (resigned 5 June 2019)	-	13,332
J M Thick	-	-
M L Thompson	-	-

* N W E Penser is a director and shareholder of Compton Beauchamp Estates Ltd. During the period N W E Penser transferred his personal shareholding to Compton Beauchamp Estates Ltd.

No Directors held any other non-beneficial interest in the shares of the Group at any time during the year. No Directors held shares in any other Group Company.

Company shares are traded upon Aquis (formerly NEX) Exchange.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

DIRECTORS' COMMITTEES

The Directors serve on the following Committees:

Audit

B R Burrough (Chair)
D J Burke
J Dodds

Remuneration

J Dodds (Chair)
D J Burke
B R Burrough

Nomination

D J Burke
N W E Penser

Directors' particulars are set out below:

Non-executive directors:

Dominic J Burke

Dominic Burke was appointed Vice Chairman of Marsh & McLennan Companies, Inc. (MMC) from 1st April 2019, and was also named a member of its Group Executive Committee. This followed the acquisition by MMC of Jardine Lloyd Thompson Group plc where Dominic had been Group CEO for more than thirteen years. MMC employs around 75,000 people across some 130 countries and is the world's leading professional services firm in the areas of risk, strategy and people. Dominic is a keen owner and breeder with horses in training on the flat and over jumps and is a member of the Jockey Club.

John Dodds

John Dodds was Chief Executive of Kier Group plc, the international construction Group, until March 2010, when he retired after nearly 40 years with the Company. John's extensive experience in the construction and house building industry sector is an important asset as Newbury Racecourse continues its major property development. He is also Non-Executive Chairman of Severfield plc.

The Hon H M Herbert

Harry Herbert is the Chairman and Managing Director of Highclere Thoroughbred Racing Limited, a racehorse syndication Company with over 50 horses in training. The Company has enjoyed many successes and has been responsible for the 2005 Epsom Derby winner, *Motivator*, as well as six other European champions; *Lake Coniston*, *Tamarisk*, *Delilah*, *Petrushka*, *Memory* and *Harbinger*. He is a member of the Jockey Club and is Global Ambassador to the Saudi Cup.

Lady Lloyd-Webber

Madeleine Lloyd Webber is a former international three-day eventer and owns Watership Down Stud near Newbury and Kiltinan Castle Stud in Tipperary and has enjoyed numerous Group successes as an owner/breeder. She is a member of the Jockey Club. She is also a Director, Deputy Chairman of Really Useful Group and LW Theatres and Executive Producer of School of Rock the Musical.

Jim McGrath

Jim McGrath has worked in racing since leaving school in 1974, when he moved to Yorkshire to join the Timeform Organisation where, in a thirty four year stint, he held numerous positions, including that of Chairman. From 1981 to 2016, he worked as a pundit, initially for ITV, thereafter, joining Channel 4 Racing in 1984. Jim has also served on various racing bodies, including both BHB and BHA, where he acted as an Independent Director. Formerly a director of Haydock Park Racecourse, he is an owner/hobby breeder.

Erik Penser

Erik Penser is the owner of a bank in Stockholm. He has owned racehorses in Sweden since 1964 and in England since 1972. He has also been a breeder since 1985. He is a member of the Jockey Club and lives and farms at Compton Beauchamp, near Lambourn.

Matthew Thompson

Matthew Thompson is currently Managing Director of Benugo, which is the leading hospitality (food and beverage) business in the visitor attraction sector, with partners such as the V&A, British Museum and London Zoo. Previously, Matthew led the Services business for Mitie Group plc, and spent eight years leading the Sports & Leisure business for Compass Group, both in the UK and globally. Matthew has also held senior management positions at Centrica, Glaxo Wellcome and Zenith.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Bryan Burrough

Bryan Burrough was a Managing Director of BlackRock Inc and subsequently a Senior Investment Director at Investec Wealth & Investment until he retired in 2017. He was an Investment Manager specialising in Charities. He has been High Sheriff of Essex and Master of the Worshipful Company of Distillers. He is Vice Chairman of Home-Start Essex and he is an owner, mainly over jumps, and successes included *Corbiere* winning the Grand National.

Executive directors:

Mark Leigh

Mark Leigh joined Newbury as Finance Director in April 2020, having spent the previous three years as CFO of Longleat Enterprises with responsibility for the Wiltshire estate and the commercial trading business which operates the safari park, stately home and attractions. Prior to that Mark spent almost ten years at global visitor attractions and hotel operator Merlin Entertainments covering various senior finance roles, including five years as FD at Chessington World of Adventures Resort. He is an Associate of the Chartered Institute of Management Accountants.

Julian Thick

Julian Thick has been Chief Executive Officer at Newbury since 2013. Over the last 20 years Julian has held a number of senior roles in the racing industry having been Managing Director of Aintree, Sandown and Kempton Park racecourses as well as a board member of Jockey Club Racecourses. He is also a Non-Executive Director of Racecourse Media Group Ltd.

SHAREHOLDINGS

As at 31 December 2019 the Group was aware of the following interests amounting to 3% or more in the shares of Newbury Racecourse plc

	Number of shares	Percentage holding
Compton Beauchamp Estates Ltd *	1,370,400	40.93
Lady Lloyd-Webber	319,656	9.55
Mr T D J Syder	137,725	4.11
Mr & Mrs A Stewart **	128,000	3.82
D J Burke	<u>107,365</u>	<u>3.21</u>

* N W E Penser is a director and a shareholder of Compton Beauchamp Estates Ltd

** Beneficial interests held in nominee accounts

POST BALANCE SHEET EVENTS

In early 2020, the existence of a new coronavirus (COVID-19) was confirmed, which has since spread across a significant number of countries, leading to disruption to businesses and economic activity that has been reflected in recent fluctuations in global stock markets. The Group considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. The broader political and economic uncertainty coupled with the potential future impact on the Group of the recent COVID-19 outbreak has been factored into the scenarios considered as part of the Group's adoption of the going concern basis in the preparation of the Group's financial statements (refer note 2.3 on page 26).

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 director is aware, there is no relevant audit information of which the Company and the Group's auditors is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors is aware of that information.

Auditors

The auditors, KPMG LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:



M Leigh
Secretary

31 July 2020

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Annual Report and the Group and parent company Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law the directors have elected to prepare the Group 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 Group and parent company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period.

In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable, relevant, reliable and prudent;
- for the Group and parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEWBURY RACECOURSE PLC

1. Our opinion is unmodified

We have audited the financial statements of Newbury Racecourse Plc ("the Company") for the year ended 31 December 2019 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, and the related notes, including the accounting policies in note 2.

In our opinion:

- 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 2019 and of the Group's profit for the year then ended;
- the Group and Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Group Pension Obligation

Risk vs 2018 ◀▶

(£3.7m; 2018: £3.1m)

Refer to page 32 (accounting policy) and page 47 (financial disclosures).

The risk

Subjective Valuation:

Small changes in the assumptions and estimates used to value the group's pension obligation (before deducting scheme assets) would have a significant effect on the group's net pension deficit.

Our response

Our procedures included:

- **Benchmarking assumptions:** Challenging, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data; and
- **Assessing transparency:** Considering the adequacy of the group's disclosures in respect of the sensitivity of the deficit to these assumptions.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
OF NEWBURY RACECOURSE PLC

David Wilson Homes Debtor Valuation

Risk vs 2018 ◀▶

(£10.7m; 2018: £12.2m)

Refer to page 33 (accounting policy) and page 43 (financial disclosures).

The risk

Subjective Valuation:

There is a risk that the annual fair valuing of the receivable from David Wilson Homes is incorrectly calculated.

Our response

Our procedures included:

- **Our sector experience:** Review the discount rate and net present value assumptions within the Fair Value calculation for appropriateness;
- **Vouching to source documents:** Assess the receipts and expenses recorded in the year, sample and agree to supporting documentation e.g. cash received, invoices issued/received;
- **Assessing transparency:** Assessing whether the group's disclosures detailing the accounting treatment for the debtor valuation are adequately disclosed.

Going Concern

Risk vs 2018 ▲

We refer to note 2.3 to the financial statements which set out the basis of preparation.

The risk

Disclosure quality

The financial statements explain how management has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Parent company.

Their judgement is based on the evaluation of the inherent risks to the Group and Company's business model, including the impact of the uncertainties of the COVID-19 pandemic, and how those risks might affect the Group's and the Company's financial resources or ability to continue operations over a period of at least a year from the approval of the financial statements.

The risks most likely to adversely affect the Group's and Company's available financial resources over this period were the impact of COVID19 on the ability of the Group and Company to generate revenue, mitigate costs and to comply with banking covenants.

The risk for our audit was whether or not those risks were such that they amount to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.

Our response

Our procedures included:

- **Evaluating management's intent:** Evaluating the intent of the management and the timing and achievability of funding options and cost saving actions they consider would improve the position should risks materialise.
- **Historical comparisons:** Assessing cashflow forecasts against actual cash flows achieved in the year and in previous years to assess historical reliability of data.
- **Sensitivity analysis:** Considering key inputs into the cash flow forecasts and assessing the company's sensitivity analysis on reasonably possible downside scenarios that could arise from these risks individually and collectively whilst considering the effect on the level of available financial resources. Challenging management on the appropriateness of expected revenue volumes, growth rates, and expected costs by comparing to historical trends and our knowledge of the business and sector it operates in.
- **Assessing transparency:** Assessing the completeness and accuracy of the matters covered in the going concern disclosures with reference to the outcome of the procedures detailed above.

Our results

We found the going concern disclosure without any material uncertainty to be acceptable.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
OF NEWBURY RACECOURSE PLC**

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £199k (2018: £192k), determined with reference to a benchmark of Total Revenues (of which it represents 1% (2018: 1%))

We consider Total Revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax.

Materiality for the parent company financial statements as a whole was set at £198k (2018: £173k), determined with reference to a benchmark of company total assets, of which it represents 0.3% (2018: 0.5%), reduced for aggregation risk considered within the group.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £9,900 (2018: £9,600), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 2 (2018: 2) reporting components, we subjected 2 (2018: 2) to full scope audits for group purposes.

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006. Directors' Report.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
OF NEWBURY RACECOURSE PLC**

6. We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 14, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and, 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

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.



Robert Fitzpatrick (Senior Statutory Auditor)

for and on behalf of
KPMG LLP, Statutory Auditor
Chartered Accountants
2 Forbury Place
33 Forbury Road
Reading
RG1 3AD

Date: 31 July 2020

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Turnover	4	19,841	19,295
Cost of sales		(16,220)	(15,478)
Gross profit		<u>3,621</u>	<u>3,817</u>
Administrative expenses		(2,983)	(2,974)
Gain on revaluations	15	388	-
Net exceptional items	5	(422)	915
Operating profit	6	<u>604</u>	<u>1,758</u>
Interest receivable	8	7	12
Interest payable	9	(126)	(287)
Profit before tax		<u>485</u>	<u>1,483</u>
Tax on profit	10	145	309
Profit for the financial year		<u><u>630</u></u>	<u><u>1,792</u></u>
Owners of the parent		<u><u>630</u></u>	<u><u>1,792</u></u>
Profit per share (basic and diluted) (Note 12)		18.8p	53.5p

All amounts derive from continuing operations

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £000	2018 £000
Profit for the financial year	630	1,792
Other comprehensive income		
Remeasurement of the net defined benefit schemes	(407)	418
Deferred tax on actuarial (loss)/gain current year charge	69	(71)
Deferred tax prior year adjustment	4	-
Other comprehensive (loss)/income for the year	(334)	347
Total comprehensive income for the year	<u>296</u>	<u>2,139</u>

The notes on pages 26 to 51 form part of these financial statements.

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	13	40,218	38,490
Investments	14	117	117
Investment property	15	1,500	1,112
		<u>41,835</u>	<u>39,719</u>
Current assets			
Stocks	16	272	250
Debtors: amounts falling due after more than one year	17	13,384	13,403
Debtors: amounts falling due within one year	17	4,655	6,676
Cash at bank and in hand		1,269	2,223
		<u>19,580</u>	<u>22,552</u>
Creditors: amounts falling due within one year	18	(5,884)	(5,110)
Net current assets		<u>13,696</u>	<u>17,442</u>
Total assets less current liabilities		<u>55,531</u>	<u>57,161</u>
Creditors: amounts falling due after more than one year	19	-	(2,471)
Provisions for liabilities			
Provisions	21	(3,561)	(3,270)
Pension liability	24	(1,019)	(747)
Net assets		<u>50,951</u>	<u>50,673</u>
Capital and reserves			
Called up share capital	23	335	335
Share premium		10,202	10,202
Revaluation reserve	23	75	75
Capital redemption reserve	23	143	143
Profit and loss account		40,126	39,830
Shareholders' funds		<u>50,881</u>	<u>50,585</u>
Capital grants			
Deferred capital grants	25	70	88
		<u>50,951</u>	<u>50,673</u>

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

D J Burke
Chairman



J M Thick
Director



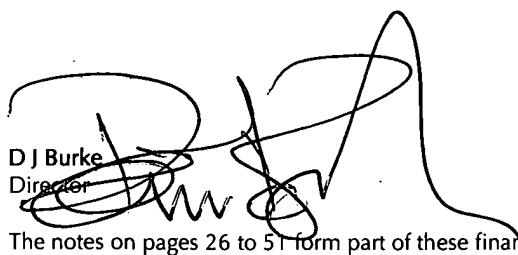
The notes on pages 26 to 51 form part of these financial statements.

**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	13	40,213	38,485
Investments	14	7,820	7,820
		<u>48,033</u>	<u>46,305</u>
Current assets			
Stocks	16	272	250
Debtors: amounts falling due after more than one year	17	13,384	13,403
Debtors: amounts falling due within one year	17	5,560	7,581
Cash at bank and in hand		1,265	2,219
		<u>20,481</u>	<u>23,453</u>
Creditors: amounts falling due within one year	18	(13,380)	(12,606)
Net current assets		<u>7,101</u>	<u>10,847</u>
Total assets less current liabilities		<u>55,134</u>	<u>57,152</u>
Creditors: amounts falling due after more than one year	19	-	(2,471)
Provisions for liabilities			
Provisions	21	(3,561)	(3,270)
Pension liability	24	(1,019)	(747)
Net assets		<u>50,554</u>	<u>50,664</u>
Capital and reserves			
Called up share capital	23	335	335
Share premium		10,202	10,202
Revaluation reserve	23	75	75
Capital redemption reserve	23	143	143
Other reserves	23	198	198
Profit and loss account		39,531	39,623
Shareholders' funds		<u>50,484</u>	<u>50,576</u>
Capital grants			
Deferred capital grants	25	70	88
		<u>50,554</u>	<u>50,664</u>

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

D J Burke
Director



J M Thick
Director



The notes on pages 26 to 51 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2019	335	10,202	143	75	39,830	50,585
Profit for the year	-	-	-	-	630	630
Other comprehensive loss	-	-	-	-	(334)	(334)
At 31 December 2019	335	10,202	143	75	40,126	50,881

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2018	335	10,202	143	75	37,691	48,446
Profit for the year	-	-	-	-	1,792	1,792
Other comprehensive income	-	-	-	-	347	347
At 31 December 2018	335	10,202	143	75	39,830	50,585

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 January 2019	335	10,202	143	75	198	39,623	50,576
Profit for the year	-	-	-	-	-	242	242
Other comprehensive loss	-	-	-	-	-	(334)	(334)
At 31 December 2019	335	10,202	143	75	198	39,531	50,484

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 January 2018	335	10,202	143	75	198	37,492	48,445
Profit for the year	-	-	-	-	-	1,784	1,784
Other comprehensive income	-	-	-	-	-	347	347
At 31 December 2018	335	10,202	143	75	198	39,623	50,576

**CONSOLIDATED 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	630	1,792
Adjustments for:		
Exceptional items	422	(915)
Amortisation of capital grants	(18)	(18)
Depreciation charges	1,056	905
Interest paid	126	287
Interest received	(7)	(12)
Tax credit	(145)	(309)
(Increase) in stocks	(22)	(47)
Decrease in debtors	1,001	2,374
Increase/(decrease) in creditors	291	(440)
Net fair value (gains)/losses recognised in P&L	(388)	-
Corporation tax paid	-	(78)
Other associated property receipts	12	40
Pension top up payments	(163)	-
Net cash generated from operating activities	2,795	3,579
Cash flows from investing activities		
Receipts from David Wilson Homes	1,086	3,252
Purchase of fixed assets	(2,855)	(6,011)
Sale of tangible fixed assets	1	-
Other associated property costs	-	(647)
Interest received	7	12
Net cash from investing activities	(1,761)	(3,394)
Cash flows from financing activities		
Receipt of new bank loan	500	-
Repayment of CBEL loan	(2,472)	(3,000)
British Championship loan repayment	9	11
Loan finance issued	-	(69)
Interest paid	(25)	(11)
Net cash used in financing activities	(1,988)	(3,069)
Net (decrease) in cash and cash equivalents	(954)	(2,884)
Cash and cash equivalents at beginning of year	2,223	5,107
Cash and cash equivalents at the end of year	1,269	2,223
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,269	2,223
	1,269	2,223

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

Newbury Racecourse plc (the "Company") is a public company incorporated, domiciled and registered in England in the UK. The registered number is 00080774 and the registered address is The Racecourse, Newbury, Berkshire, RG14 7NZ.

2. Accounting policies

2.1 Basis of preparation of financial statements

The Group and company 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 has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements.

The parent company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time; and
- No separate parent company Cash Flow Statement with related notes is included

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries Newbury Racecourse Enterprises Limited and Newbury Racecourse Management Limited.

2.3 Going concern

The Board has undertaken a full and thorough review of the Group's cash flow forecasts and associated risks and sensitivities, over the next twelve months and through to the David Wilson Homes longstop receipt date in April 2022. The extent of this review reflects the current economic climate, particularly COVID-19, as well as specific financial circumstances of the Group.

Base Case Scenario

The Board reviews the cash flow and working capital requirements in detail on a frequent basis, whilst under the current COVID-19 circumstances the regularity of this scrutiny has increased. Key trading assumptions made within the cash flow projections base case scenario include:

- Racing taking place behind closed doors for the remainder of the 2020 flat season with capped attendance for the National Hunt racing season through to Spring 2021. Further capping is anticipated, but at a higher level, for the 2021 flat season, whilst we expect racing and crowds to return to their normal levels during the Summer. Newbury has already held three race days in June and will hold an additional three in July and two in August this year, all behind closed doors.
- The three planned 2020 Party in the Paddock concerts will not take place and one during 2021 is expected to be lost.
- Licenced Betting Offices have already re-opened on 15th June but will provide lower revenue streams than planned for the remainder of this year and into 2021.
- The Hotel and Conference & Events businesses will not generate any further revenue during 2020 and both areas will expect to trade at break-even in 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

- Following its provision for key workers only, the Nursery was able to re-open on 1st June at a lower capacity. However, the business has been able to charge a proportion of fees to allow others to retain their places. Within our scenario, full operation will return from 1st September 2020, on a phased basis, with full levels of profitability returning from the start of 2021.

Alongside these trading businesses the following additional actions have been taken:

- Since the March lockdown, overheads have been reduced to the minimum required to keep the respective sites functioning whilst all facilities, except the Nursery, remained closed.
- Newbury has taken advantage of the Government's Coronavirus Job Retention Scheme and furloughed two thirds of permanent salaried employees from late March as well as obtaining business rate relief through to March 2021.
- Many of those staff who have been retained to work agreed to accept voluntary pay cuts through to the end of September 2020.
- A restructuring of the organisation was implemented during July which will reduce the on-going overhead costs substantially and allow the business to flex the workforce as, and when, the trading position improves.
- Agreement has been confirmed with NatWest Bank on the waiving of existing financial covenants relating to the fully drawn £6m credit facility, and instead replacing them with a single minimum liquidity level covenant of £600,000.
- The final loan payment due to Compton Beauchamp Estates in November 2020 has been deferred until April 2022. The final minimum land payment of £10.9m due from David Wilson Homes (and guaranteed by Barratt Developments plc) is expected to be received by April 2022.
- Progression of the disposal of previously targeted non-core assets has continued.
- 2020 Capex has been restricted to only that already committed plus a contingency allowance. 2021 Capex reduced to £250,000 (currently uncommitted). All non-essential expenditure has been ceased.

Severe but plausible downside Scenario

The impact of COVID-19 is constantly being assessed and the situation (along with Government support) is subject to continual change. This makes it very difficult to assess with any certainty how the situation will evolve. However, the easing of the Government's lockdown has meant that the racing and hospitality businesses as well as our nursery operations have been able to plan accordingly. Whilst the board is confident that the assumptions used in the base case are reasonable, mitigating plans have been developed should there be any substantially adverse change to the anticipated liquidity over the period.

This severe but plausible downside scenario considers the potential of a 'second spike' of COVID-19. Under this scenario racing would remain behind closed doors for the remainder of 2020, with no crowds possible until the start of next year. If LBO's are required to close under specific circumstances, such as regionally, then we have modelled that this income reduces to c60% of current forecasts through to the end of 2020. We have also considered that the nursery will revert back to supporting key workers only for a period of 3 months. In addition to this, the sale of the previously identified non-core asset has also been removed from the downside scenario.

In the unlikely scenario that these events do all occur, additional mitigation plans have been put in place and will be implemented, if required, in order to ensure that sufficient headroom for liquidity and covenant can continue to be achieved.

These include:

- A further substantial reduction to 2020 and 2021 Capex to exclude all but committed Capex.
- Bonuses & LTIP payments being deferred until the cash position is deemed sufficient.
- Further salary and management structure contingencies being executed including the extension of voluntary wage reductions by the senior management team throughout 2021.
- A reduction to prize money and food & beverage facilities provided on race days (once resumption takes effect).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

Other mitigation measures are possible but have not been included in the severe but plausible downside scenario.

The Company has the ability to draw on funding options provided by the racing industry and would accelerate the evaluation of a number of material non-core assets for potential disposal. If a second spike does occur, then it is assumed that the Government will extend financial support to businesses.

The Group has committed credit facilities, which are in place as an effective bridging facility through to April 2022, and the Board has concluded that it has a reasonable expectation that the Group and parent company has adequate resources, banking facilities and arrangements in place to continue in operational existence for the foreseeable future and therefore the going concern basis has been adopted in preparing the financial statements.

Nonetheless, as at the date of this report, the possible impact of COVID-19 provides a level of uncertainty as the situation for the racing industry and our other businesses continually changes. The Board continues to monitor this routinely and to develop detailed forecasts in response to the changing environment and through reviews of mitigation and contingency plans.

2.4 Revenue recognition

Services rendered, raceday income including admissions, catering revenues, sponsorship and licence fee income is recognised on the relevant raceday. Annual membership income and box rental is recognised over the period to which they relate.

Other income streams are also recognised over the period to which they relate, for example, ground rents received from residents, conference income is recognised on the day of the conference, the Lodge hotel income is recognised over the duration of the guests stay and nursery income is recognised as the child attends the nursery.

Sale of goods, revenue is recognised for the sale of food and liquor when the transaction occurs.

Property receipts

Property receipts are recognised in accordance with the substance of the transaction being that of an exceptional sale of land. The minimum guaranteed sum, as set out in the agreement with David Wilson Homes, is recognised at the point of sale. In accordance with FRS102, at each reporting date, the sum receivable is re-estimated based upon currently projected land value with the difference between this value and the discounted net present value recorded in the profit and loss account.

2.5 Investment property

Investment in properties are freehold interests which are held to earn rental income. Investment properties are recognised at fair value. Fair value is determined based upon benchmarked, local commercial land values and supported by the opinion of an independent expert valuer. Any gains or losses on revaluation are recognised in the profit & loss account.

2.6 Other investments

Investments in subsidiaries are measured at cost less accumulated impairment. Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Profit and Loss Account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.7 Investment income

Dividends and other investment income receivable are included in the Profit and Loss Account inclusive of withholding tax but exclusive of other taxes.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.8 Lease assets receivable

Lease assets receivable relates to freeholds that the Group has acquired, or has the option to acquire, from David Wilson Homes. The freeholds concerned relate to residential apartment buildings constructed as part of the overall residential development. Individual apartments in the development were sold by David Wilson Homes to purchasers under long-term leases, typically of 125 years. Under the terms of their long-term leases, lessors are required to pay 'ground rent' to the freehold owner for the duration of their lease.

As the majority of the risks and rewards, for much of the life of the property, lie with the lessor, the Group does not recognise a fixed asset in relation to the freehold. Since the Group's principal interest in the freehold is limited to the expected future cashflows arising from the ground rent, the Group's cost of investment represents the cost to acquire the future ground rent cashflows.

These are initially recognised at fair value which is calculated based on the net present value of future cashflows arising from the ground rents receivable over the lease term. This also represents the market value of the freehold agreed with David Wilson Homes. These amounts are included in the balance sheet as debtors less than and greater than one year. Ground rent receipts relating to the period, are applied against the net receivable balance. The leases receivables are monitored for indications of impairment by comparing the net present value of future rentals receivable to the carrying value of the lease receivable. Where there is a shortfall in the present value of the future rentals receivable, an impairment of the carrying value of the lease receivable is recognised.

2.9 Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold buildings and outdoor fixtures	2% - 5% straight line
Tractors and motor vehicles	5% - 10% straight line
Fixtures, fittings and equipment	2% - 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date (see note 3).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Profit and Loss Account.

2.10 Impairment of assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

Non-financial assets

The carrying amounts of the entity's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.11 Stocks

Stocks are valued at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

2.12 Repairs and renewals

Expenditure on repairs and renewals and costs of temporary facilities during construction works are written off against profits in the year in which they are incurred.

2.13 Non recognised financial information

The profit and loss account includes measures which are not accounting measures under UK GAAP which are used to assess the financial performance of the business. These measures which are termed 'non-GAAP' include reference to EBITDA within the Strategic Report.

2.14 Cash and cash investments

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash which is held on deposits that are not accessible with less than 24 hours' notice, is deemed to not be liquid and is therefore classified as cash investments on the balance sheet.

2.15 Provisions for liabilities

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

Provisions are charged as an expense to the Consolidated Profit and Loss Account in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.16 Dividends

Where dividends are declared, appropriately authorised (and hence no longer at the discretion of the Group) after the balance sheet date but before the relevant financial statements are authorised for issue, dividends are not recognised as a liability at the balance sheet date because they do not meet the criteria of a present obligation in FRS102.

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Profit and Loss Account, 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 and the Group operate and generate income.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2.18 Grants

Capital grants

Capital grants received, apart from HBLB grants, are accounted for as deferred grants on the Balance Sheet and credited to the Profit and Loss Account over the estimated economic lives of the asset to which they relate. Capital grants are in deferred capital grants on the Balance Sheet as the associated works have been performed and it is not in any way repayable.

Horserace Betting Levy Board (HBLB) grants

The HBLB provides funding to racecourses which is used to support racing activities. HBLB grants are accounted for under the performance model in line with standard industry practice. HBLB grants are credited to the Profit and Loss Account as revenue in the month of the raceday, the corresponding debtor is carried on the Balance Sheet until the cash is received.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.19 Pensions

Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

2.20 Borrowing costs

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs are accounted for on an accrual basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period which they arise.

2.21 Financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Fair value measurement

Assets and liabilities that are measured at fair value are classified by level of fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs for the asset or liability that are not based on observable market data.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.22 Exceptional items

Directors exercise their judgement in classification of certain items as exceptional and outside the Group's underlying results. The determination of whether items should be separately disclosed as an exceptional item or other adjustment requires judgement on its materiality, nature and incidence. Accounting transactions related to the DWH agreement are considered outside the ordinary course of business, see note 5 for further detail.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements;

Capitalisation of design fees and expenditure in connection with the ongoing development works, which during the year ended 31 December 2019 amounted to £0.2m (2018: £0.4m). The total carrying value of capitalised design fees at 31 December 2019 is £1.7m. In the directors' view these costs are directly attributable to the development of a long term fixed asset which will provide future economic benefits in excess of its carrying value.

Estimation techniques

Significant estimation techniques include:

David Wilson Homes

The fair value of the long term David Wilson Homes debtor balance is determined with reference to current market conditions and to reflect the risks specific to the balance due. Estimates include the current value of the land as determined by the agreed parameters of the land sale agreement with David Wilson Homes, together with the application of a suitable discount rate.

Impairment of assets

Determining whether assets are impaired requires an estimation of the value in use of the cash generating units to which assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The carrying amount of tangible fixed assets and investment property at the Balance Sheet date was £41.7 million. No impairment loss was recognised in 2019 as there was no further indication of impairment required (2018: no impairment loss).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. TURNOVER

Trading turnover, which arises solely in the United Kingdom, represents admissions to the racecourse, catering, hospitality sales, media rights licence fees, annual membership fees and all income from the provision of services for race meetings. It also includes income from conference and events. The nursery segment includes revenues from the Rocking Horse Nursery and the Lodge segment includes revenues from the Lodge Hotel. HBLB revenue grants are included in turnover. Property turnover represents rental income. Turnover is stated net of VAT (where applicable) and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. All turnover is generated by third parties.

Turnover by revenue stream

	2019 £000	2018 £000
Sale of goods	3,019	2,675
Rendering of services	14,894	14,569
HBLB grants	1,928	2,051
Total	<u>19,841</u>	<u>19,295</u>

Segmental Analysis

	Turnover £000	Gross Profit £000	Profit/(Loss) Before Interest and Exceptional Items £000	Exceptional Items £000	Profit/(Loss) Before Tax £000	* Net Assets £000
2019						
Trading	17,468	2,910	(73)	(3)	(195)	32,840
Nursery	1,470	498	498	-	498	2,759
Lodge	856	166	166	-	166	1,364
Total	<u>19,794</u>	<u>3,574</u>	<u>591</u>	<u>(3)</u>	<u>469</u>	<u>36,963</u>
Property	47	47	435	(419)	16	13,988
Total	<u>19,841</u>	<u>3,621</u>	<u>1,026</u>	<u>(422)</u>	<u>485</u>	<u>50,951</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. TURNOVER (continued)

	Turnover £000	Gross Profit £000	Profit/(Loss) Before Interest and Exceptional Items £000	Exceptional Items £000	Profit/(Loss) Before Tax £000	* Net Assets £000
2018						
Trading	17,082	3,146	373	(2)	96	30,185
Nursery	1,426	489	489	-	489	2,775
Lodge	710	105	105	-	105	1,150
Total	19,218	3,740	967	(2)	690	34,110
Property	77	77	(124)	917	793	16,563
Total	19,295	3,817	843	915	1,483	50,673

*Net assets represent fixed assets less deferred income and term loans for property, nursery and lodge; all working capital is included within the 'Racecourse Trading' segment.

5. EXCEPTIONAL ITEMS

	2019 £000	2018 £000
Net book value of asset disposal	(3)	(2)
Release of property provision	-	1,500
Pall Mall development costs	-	(596)
DWH debtor movement in fair value	(419)	13
	(422)	915

In accordance with note 2, accounting transactions related to the DWH agreement are considered outside the ordinary course of business. The fair value loss recognised in 2019 includes an amount of £475k which relates to the prior year end.

The release of the property provision is in connection with the ongoing obligations related to the sale of land and redevelopment of the racecourse. The Pall Mall costs are professional fees connected to the aborted development project.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

6. OPERATING PROFIT

The operating profit is stated after charging:

	2019 £000	2018 £000
Depreciation of plant and equipment	1,056	905
Amortisation of deferred capital grants	(18)	(18)
Auditor's remuneration	55	47
	<u>55</u>	<u>47</u>

7. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2019 £000	2018 £000
Wages and salaries	3,399	2,984
Social security costs	307	269
Other pension costs	120	87
	<u>3,826</u>	<u>3,340</u>

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

	2019 No.	2018 No.
Office and management	35	33
Catering	13	11
Ground, maintenance and security staff	19	18
Lodge	8	6
Rocking Horse Nursery	36	31
	<u>111</u>	<u>99</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

Directors' remuneration

	2019 £000	2018 £000
Executive Directors	489	514
Non-Executive Directors	60	65
	549	579

The highest paid director received remuneration of £352,000 (2018: £363,000), including pension contributions of £20,000 (2018: £20,000).

Two Directors are members of defined contribution pension schemes. The value of the company's contributions paid in respect of such Directors amounted to £30,000 (2018: £29,000).

Transactions with Key Management Personnel

Members of the Board of Directors at Newbury Racecourse plc (and the Company) are deemed to be the only key management personnel.

Key management personnel compensation for the financial year is equal to the directors' remuneration stated above.

8. INTEREST RECEIVABLE

	2019 £000	2018 £000
Other interest receivable	7	12
	7	12

9. INTEREST PAYABLE

	2019 £000	2018 £000
Bank interest payable	24	23
Other loan interest payable	74	226
Other interest payable	28	38
	126	287

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

10. TAXATION

Total tax expense recognised in the profit and loss account, other comprehensive income and equity:

	2019 £000	2018 £000
Corporation tax		
Adjustments in respect of previous periods	6	390
Total current tax	<u>6</u>	<u>390</u>
Deferred tax		
Origination and reversal of timing differences	(182)	(217)
Effect of change in rate	19	(120)
Adjustments in respect of prior year *	12	(362)
Total deferred tax	<u>(151)</u>	<u>(699)</u>
Taxation on profit on ordinary activities	<u>(145)</u>	<u>(309)</u>

*Adjustments in respect of prior year relate to the estimated indexed base cost of land.

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	<u>485</u>	<u>1,483</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	92	282
Effects of:		
Income not chargeable for tax purposes	(459)	(590)
Expenses not deductible for tax purposes	184	91
Effect of change in tax rate	19	(120)
Adjustments to tax charge in respect of prior periods	19	28
Total tax credit for the year	<u>(145)</u>	<u>(309)</u>

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the deferred tax asset/(liability) as at 31 December has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and increase the deferred tax liability by £229,000.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

11. PROFIT ATTRIBUTABLE TO THE COMPANY

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements. The profit after tax of the parent Company for the year was £242,000 (2018: £1,784,000).

12. PROFIT PER SHARE

Basic and diluted profit per share is calculated by dividing the profit attributable to ordinary shareholders for the year ended 31 December 2019 of £630,000 (2018: £1,792,000) by the weighted average number of ordinary shares during the year of 3,348,326 (2018: 3,348,326).

13. TANGIBLE FIXED ASSETS

Group

	Freehold property £000	Fixtures and fittings £000	Tractors and motor vehicles £000	Total £000
Cost or valuation				
At 1 January 2019	50,424	7,658	287	58,369
Additions	1,230	1,489	69	2,788
Disposals	-	(8)	(68)	(76)
At 31 December 2019	<u>51,654</u>	<u>9,139</u>	<u>288</u>	<u>61,081</u>
Depreciation				
At 1 January 2019	15,528	4,157	194	19,879
Charge for the year	609	435	12	1,056
Disposals	-	(4)	(68)	(72)
At 31 December 2019	<u>16,137</u>	<u>4,588</u>	<u>138</u>	<u>20,863</u>
Net book value				
At 31 December 2019	<u><u>35,517</u></u>	<u><u>4,551</u></u>	<u><u>150</u></u>	<u><u>40,218</u></u>
At 31 December 2018	<u><u>34,896</u></u>	<u><u>3,501</u></u>	<u><u>93</u></u>	<u><u>38,490</u></u>

In 1959 a revaluation of part of the freehold land at £117,864 gave rise to an excess of £75,486 over its cost and this sum is included in the total value of this asset. The excess on revaluation is credited to the Revaluation Reserve. The net book value of freehold land and buildings determined by the historical cost convention is £35,441,000 (2018: £34,820,000).

In 2018 the board revisited the residual values and useful economic lives of the land enhancements and major buildings on the site. Savills were instructed to provide an estimate of the residual values and these were applied in re-estimating the depreciation charge for those assets. There was no further change in the residual values or useful economic lives during 2019.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

13. TANGIBLE FIXED ASSETS (continued)

Company

	Freehold property £000	Fixtures and fittings £000	Tractors and motor vehicles £000	Total £000
Cost or valuation				
At 1 January 2019	50,419	7,658	287	58,364
Additions	1,230	1,489	69	2,788
Disposals	-	(8)	(68)	(76)
At 31 December 2019	<u>51,649</u>	<u>9,139</u>	<u>288</u>	<u>61,076</u>
Depreciation				
At 1 January 2019	15,528	4,157	194	19,879
Charge for the year	609	435	12	1,056
Disposals	-	(4)	(68)	(72)
At 31 December 2019	<u>16,137</u>	<u>4,588</u>	<u>138</u>	<u>20,863</u>
Net book value				
At 31 December 2019	<u>35,512</u>	<u>4,551</u>	<u>150</u>	<u>40,213</u>
At 31 December 2018	<u>34,891</u>	<u>3,501</u>	<u>93</u>	<u>38,485</u>

The net book value of freehold land and buildings determined by the historical cost convention is £35,436,000 (2018: £34,815,000).

14. INVESTMENTS

Group

	Racecourse Media Group £000
At 1 January 2019	117
At 31 December 2019	<u>117</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. INVESTMENTS (continued)

Company

	Investments in subsidiary companies £000	Trade investments £000	Total £000
Cost or valuation			
At 1 January 2019	7,703	117	7,820
At 31 December 2019	7,703	117	7,820

Net book value

At 31 December 2019	7,703	117	7,820
At 31 December 2018	7,703	117	7,820

The Group has the following unlisted investments:

One 'A' share (£100 and 5.6% of the 'A' shareholding) together with five hundred and eighty two 'B' shares that were issued in 2011 (£116,400 and 5.6% of the 'B' shareholding) in Racecourse Media Group Limited (RMG) which owns 100% of Racing UK Limited.

One share (£100 and 5.4% of the shareholding) in Racecourse Media Services Limited (RMS) which owns 50% of Amalgamated Racing Limited (TurfTV).

One share (£100 and 3.1% of the shareholding) in Racecourse Betting Company Limited (RBC).

One share (£100 and 2.77% of the shareholding) in Racecourse Retail Business Limited (RRB).

The registered office addresses of RMG, RMS, RBC and RRB is 10th Floor, The Met Building, 22 Percy Street, London W1T 2BU.

Twenty one shares (£21 and 2.1% of the shareholding) in British Champions' Series Limited. The registered office address is 75 High Holborn, London WC1V 6LS

Shares in subsidiary undertakings represent investments in Newbury Racecourse Enterprises Limited, a Company registered in England and Wales involved in the holding and renting of land and Newbury Racecourse Management Limited, a Company registered in England and Wales involved in residential property management, but which was dormant during the year ended 31 December 2019. As at 31 December 2019, Newbury Racecourse plc holds 100% of the ordinary share capital and voting rights of both companies. Registered office for all subsidiaries, Newbury Racecourse, Newbury, Berkshire, RG14 7NZ.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

15. INVESTMENT PROPERTY

Group

	Freehold investment property £000
Valuation	
At 1 January 2019	1,112
Surplus on revaluation	388
	1,500
At 31 December 2019	1,500

Investment in property relates to freehold interests owned by the Group for the purpose of generating rental returns and is held at fair value.

A piece of land known as "The Opperman Site" and owned by the Group, was revalued during the year ended 31 December 2019. The directors' valuation was based upon benchmarked, local commercial land values and supported by the opinion of an independent expert valuer. The surplus on revaluation was £0.39m.

16. STOCKS

Stock consists of food and liquor for the catering business and sundry materials held for the purpose of maintaining the racecourse and the Company's premises.

	2019 £000	2018 £000
Catering	250	228
Sundry	22	22
	272	250

There is no material difference between the balance sheet value of stocks and their replacement cost. Catering and sundry stock recognised as cost of sales in the year amounted to £1,282,000 (2018: £1,250,000). The write-down of stocks to net realisable value amounted to £nil (2018: £nil). No reversals of write-downs were made in the year (2018: £nil).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

17. DEBTORS

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Due after more than one year				
Other debtors	13,384	13,403	13,384	13,403
	<u>13,384</u>	<u>13,403</u>	<u>13,384</u>	<u>13,403</u>

Other debtors include £10,110,000 (2018: £9,905,000) being the net present value of the balance due from David Wilson Homes in more than one year, in respect of the currently projected value arising from the land sale completed on 26 April 2016.

In accordance with the fair value hierarchy, the David Wilson Homes debtor has been classified as level 3, 'inputs for the asset are not based on observable market data'.

Other debtors also include £3,187,456 (2018: £3,368,300) in respect of lease asset receivables, being the value of ground rents receivable from the freehold interests of the Group and also a loan of £86,683 (2018: £129,757) to Britbet Racing LLP for the start-up of a new betting consortium.

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Due within one year				
Trade debtors	677	571	677	571
Amounts owed by group undertakings	-	-	905	905
Other debtors	2,513	4,965	2,513	4,965
Prepayments and accrued income	548	737	548	737
Deferred taxation	917	403	917	403
	<u>4,655</u>	<u>6,676</u>	<u>5,560</u>	<u>7,581</u>

Other debtors include £584,000 (2018: £2,294,000), being the net present value of the balance due from David Wilson Homes within the next 12 months, in respect of the currently projected value arising from the land sales completed on 18 September 2012 and 26 April 2016.

Other debtors also include £199,840 (2018: £62,590) in respect of lease asset receivables, being the value of ground rents receivable from the freehold interests of the Group.

Of the deferred tax asset £740,000 (2018: £277,000) relates to tax losses and £177,000 (2018: £126,000) deferred tax on pension scheme.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Bank loans	500	-	500	-
CBEL loan (note 20)	2,574	2,500	2,574	2,500
Trade creditors	680	565	680	565
Amounts owed to group undertakings	-	-	7,500	7,500
Other taxation and social security	199	121	199	121
Other creditors	722	803	722	803
Accruals and deferred income	1,209	1,121	1,205	1,117
	<u>5,884</u>	<u>5,110</u>	<u>13,380</u>	<u>12,606</u>

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
CBEL loan (note 20)	-	2,471	-	2,471
	<u>-</u>	<u>2,471</u>	<u>-</u>	<u>2,471</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

20. LOANS

Analysis of loan repayments:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Bank loans	500	-	500	-
Amounts falling due within one year	2,574	2,500	2,574	2,500
Amounts falling due 1-2 years	-	2,471	-	2,471
	<u>3,074</u>	<u>4,971</u>	<u>3,074</u>	<u>4,971</u>

Compton Beauchamp Estates Limited Loan

Under an agreement dated 29 October 2012, Compton Beauchamp Estates Limited granted the Group the following facilities:

	Purpose	Repayment Dates	Interest*	Amount Drawn
£6,500,000	Purchase of own shares	15.11.18** 15.11.19** 30.04.22***	3.18%	£7,745,647

The loan is secured by a charge of the Group's property to a Deed of Priority dated 3 May 2016 between National Westminster Bank plc, Trustees of the Newbury Racecourse plc Pension and Life Assurance Plan and Compton Beauchamp Estates Limited.

The capital sum is repayable in three equal instalments on the dates as shown, with the balance of interest accrued payable on the final payment date.

In accordance with the fair value hierarchy, the Compton Beauchamp Estates Limited loan has been classified as level 3, 'inputs for the liability are not based on observable market data.

* Under the terms of the loan the interest is rolled up into the loan capital sum. Interest accrued in the period to 31 December 2019 was £74,000 (2018: £226,000). Interest is calculated using the six monthly LGT Bank (Ireland) Limited International Bank Rate plus 2%. In accordance with FRS102, interest accrued includes an adjustment for the effective rate method.

** Repayment was made as scheduled in 2018 and 2019.

***On 27th April 2020, the Group agreed and signed a deferral of the final loan repayment to Compton Beauchamp Estates Limited, until 30th April 2022.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

21. PROVISIONS

	Property provision £000	Deferred Tax £000	Total £000
Group and company			
At 1 January 2019	700	2,570	3,270
Utilised in year	-	-	-
Released in year	-	-	-
Capital allowances in excess of depreciation	-	339	339
Deferred tax on rolled over capital gains	-	(48)	(48)
Deferred tax on lease receivable	-	-	-
	<u>700</u>	<u>2,861</u>	<u>3,561</u>

Property provisions relate to the constructive obligation related to potential contractual breaches associated with the land sale to David Wilson Homes.

22. DEFERRED TAX LIABILITY

The provision for deferred taxation consists of the following amounts:

	2019 £000	2018 £000
Group and Company		
Capital allowances in excess of depreciation	1,517	1,179
Deferred tax on rolled over gains	1,250	1,297
Deferred tax on lease asset receivable	94	94
	<u>2,861</u>	<u>2,570</u>

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax liability as at 31 December 2019 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and increase the deferred tax liability by £229,000.

The net deferred tax liability expected to reverse in 2020 is £nil. This primarily relates to the reversal of timing differences on acquired tangible assets and capital allowances through depreciation, offset by the add back of non-deductible income in the form of capital credits resulting in carried forward tax losses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

23. CAPITAL AND RESERVES

	2019	2018
	£000	£000
6,000,000 (2018: 6,000,000) Ordinary shares of £0.10 each	<u>600</u>	<u>600</u>
Allotted, called up and fully paid		
3,348,326 (2018: 3,348,326) Ordinary shares of £0.10 each	<u>335</u>	<u>335</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Revaluation reserve

In 1959 a revaluation of part of the freehold land at £117,864 gave rise to an excess of £75,486 over its cost and this sum is included in the total value of this asset.

Capital redemption reserve

In 2012 the shareholders of the company passed a resolution to buy back 1,428,174 Ordinary shares owned by GPG (UK) Holdings plc at 450 pence per Ordinary share. The nominal value of the shares cancelled was £142,817.

Other reserves (Company only)

Other reserves of £198,000 arose in Newbury Racecourse plc on disposal of the land south of the racecourse to Newbury Racecourse Enterprises Ltd in 2001.

24. EMPLOYEE BENEFITS

Defined Contribution Scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the fund and amounted to £120,000 (2018: £87,400). There was £22,463 (2018: £17,034) of outstanding contributions at the end of the year.

Defined Benefits Scheme

Until 1 December 2003 the Group operated a funded non-contributory defined benefit pension scheme covering its permanent employees whose employment commenced prior to 16 July 2001. The scheme was closed to future accrual on 1 December 2003 and employees are not able to accrue any further benefits after this date except that salary linkage is retained. The scheme will continue in existence, but no further life assurance cover has been provided after 1 December 2001. A lump sum contribution of £300,000 was made prior to 31 December 2003. Future pension provision for those employees who were accruing benefits under the defined benefit scheme will be made through enhanced contributions to the Stakeholder scheme. For employees joining the Group after 16 July 2001 a Stakeholder scheme has been put in place.

The defined benefit scheme funds are administered by trustees and are independent of the Group's finances. The pension cost is assessed in accordance with the advice of a qualified actuary using the projected unit method. The most recent full actuarial valuation was as at 1 July 2017, the most significant assumptions being the investment return on equities (and property) and pre-retirement discount rate.

As at 1 July 2017, the market value of the scheme assets was £1,406,000 and the actuarial value of the assets was only sufficient to fund 59% of the benefits that had accrued to members, after allowing for expected future increases in earnings. As such there is a deficit of £982,000 to fund and a recovery plan has been agreed with the Trustees of the scheme with annual contributions of £109,000 to be paid over a 10-year period commencing 1 July 2018. As at 31 December 2019, total contributions of £163,500 have been paid into the scheme.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

24. EMPLOYEE BENEFITS (continued)

The actuarial valuation described above has been updated at 31 December 2019 by a qualified actuary using revised assumptions that are required by FRS 102. Investments have been valued for this purpose at fair value. The major assumptions used for calculating the liabilities are as follows:

Reconciliation of present value of plan liabilities:

	2019	2018
	£000	£000
Reconciliation of present value of plan liabilities		
At the beginning of the year	3,138	3,634
Interest cost	91	96
Actuarial (gains)/losses	785	(431)
Benefits paid	(317)	(161)
	3,697	3,138

Reconciliation of present value of plan assets:

	2019	2018
	£000	£000
At the beginning of the year	2,391	2,507
Interest income	71	66
Actuarial gains/(losses)	378	(13)
Contributions	163	-
Benefits paid	(317)	(161)
Plan administrative cost	(8)	(8)
	2,678	2,391

The analysis of the scheme's assets at the balance sheet date was as follows:

	2019	2018
	£000	£000
Group pension contract	1,375	1,359
Annuity contract	1,303	1,032
	2,678	2,391
	2,678	2,391
	(3,697)	(3,138)
	(1,019)	(747)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

24. EMPLOYEE BENEFITS (continued)

The amounts recognised in profit or loss are as follows:

	2019 £000	2018 £000
Current service cost	8	8
Net interest cost	20	30
Total cost relating to defined benefit scheme	<u>28</u>	<u>38</u>

The cumulative amount of actuarial gains and losses recognised in the Consolidated Statement of Comprehensive Income was a loss of £407,000 (2018: a gain of £418,000).

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2019 %	2018 %
Discount rate	2.15	3.05
Future salary increases	3.30	3.15
Pre 1 July 1993 pension	3.00	3.00
Post 1 July 1993 pension	2.90	3.15
Inflation assumption (RPI)	2.90	3.15

Assumed life expectancies on retirement at age 65 are:

- Retiring today - Males	86.3	86.4
- Retiring in 20 years' time - Males	87.6	87.8
- Retiring today - Females	88.6	88.7
- Retiring in 20 years' time - Females	90.1	90.2

The COVID-19 pandemic has had a significant impact on asset markets and corporate bonds yields, which are key to the FRS102 assessment of the net pension asset or liability. In particular, global equity markets have seen significant falls in 2020. AA corporate bond yields, used to set the FRS102 discount rate, have been highly volatile, with credit spreads increasing over the year to date. Long term inflation expectations, used to project future benefit payments, have fallen. The net impact of the above is expected to have led to a deterioration in the Company's net pension liability since the balance sheet date, with the movement in market conditions expected to have increased the value of the Plan's liabilities and reduced the value of the Plan's assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

25. CAPITAL GRANTS

	2019 £000	2018 £000
Analysis of movement of capital grants:		
Balance as at 1 January 2019	88	106
Capital grants credited to the profit and loss account	(18)	(18)
Balance as at 31 December 2019	<u>70</u>	<u>88</u>

Capital grants are shown within Capital and Reserves as the associated works have been performed and it is not in any way repayable.

26. FINANCIAL COMMITMENTS

	2019 £000	2018 £000
Compton Beauchamp Estates Loan	(2,574)	(4,971)
Swift Lift Services Ltd	(188)	(288)
	<u>(2,762)</u>	<u>(5,259)</u>

Compton Beauchamp Estates Ltd Loan, interest rate 2% over LGT (Ireland) International interbank rate (see note 20).

Newbury Racecourse plc has entered into a 5-year contract with Swift Lift Services Ltd for the purpose of undertaking lift maintenance and upgrade works until 31 March 2022. As at 31 December 2019, the contractual commitments regarding maintenance and upgrade of lifts were £188,000.

As at 31 December 2019 there were no hedging instruments in place.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

27. RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption under FRS102 not to disclose transactions between entities, of whose voting rights are controlled within the Group.

Compton Beauchamp Estates Limited

During the year ended 31 December 2019, sponsorship income of £22,300 (2018: £20,600) and hospitality income of £7,998 (2018: £1,234) was received from Compton Beauchamp Estates Limited. As at the year-end a debtor balance of £1,241 (2018: £1,481) was outstanding. The CBEL loan of £2,574,308 is provided by Compton Beauchamp Estates Limited (see note 20). Erik Penser is a director of Compton Beauchamp Estates Limited. These are considered to be arm's length transactions.

Marsh JLT Speciality Limited

During the year ended 31 December 2019, Marsh JLT Speciality Limited provided broker insurance services to Newbury Racecourse plc to the value of £24,500 (2018: £24,000). Sponsorship income of £50,550 (2018: £50,765) and hospitality income of £15,322 (2018: £8,328) was also received from Marsh JLT Speciality Limited. The balance outstanding at the year-end was £650 (2018: £nil). Dominic Burke is the Chairman of Marsh JLT Speciality Limited. These are considered to be an arm's length transactions.

Racing Media Group Limited

During the year ended 31 December 2019, Newbury Racecourse plc traded with Racing Media Group Limited, and income received from Racing Media Group Limited amounted to £1,277,000 (2018: £1,214,600). The balance outstanding at the year-end was £1,107,000 (2018: £1,200,000). Newbury Racecourse plc is a shareholder in Racing Media Group Limited. Julian Thick is a director of Racing Media Group Ltd. This is considered to be an arm's length transaction.

Racecourse Retail Business Limited

During the year ended 31 December 2019, Newbury Racecourse plc traded with Racecourse Retail Business Limited, and income received from Racecourse Retail Business Limited amounted to £3,076,000 (2018: £3,076,000). The balance outstanding at the year-end was £363,909 (2018: £484,830). Newbury Racecourse plc is a shareholder in Racecourse Retail Business Limited. Julian Thick is a director of Racecourse Retail Business Limited. This is considered to be an arm's length transaction.

Highclere Thoroughbred Racing Limited

During the year ended 31 December 2019 hospitality income of £23,611 (2018: £33,218) was received from Highclere Thoroughbred Racing Limited. As at the year-end a debtor balance of £156 (2018: £1,503) was outstanding. The Hon H M Herbert is a director of Highclere Thoroughbred Racing Limited. These are considered to be arm's length transactions.

Watership Down Stud

During the year ended 31 December 2019, sponsorship income of £25,500 (2018: £nil) and hospitality income of £18,176 (2018: £nil) was received from Watership Down Stud. As at the year-end a debtor balance of £nil (2018: £nil) was outstanding. Lady Lloyd-Webber is the owner of Watership Down Stud. These are considered to be arm's length transactions.

28. POST BALANCE SHEET EVENTS

In early 2020, the existence of a new coronavirus (COVID-19) was confirmed, which has since spread across a significant number of countries, leading to disruption to businesses and economic activity that has been reflected in recent fluctuations in global stock markets. The Group considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. The broader political and economic uncertainty coupled with the potential future impact on the Group of the recent COVID-19 outbreak has been factored into the scenarios considered as part of the Group's adoption of the going concern basis in the preparation of the Group's financial statements (refer note 2.3 on page 26).