

Registered Number 1746568

Juddmonte Farms Limited
Annual Report for the
year ended 31 December 2017



Juddmonte Farms Limited

Annual Report for the year ended 31 December 2017

	Page(s)
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditors' report	5 - 9
Consolidated profit and loss account	10
Consolidated balance sheet	11
Company balance sheet	12
Group and company statement of changes in equity	13
Consolidated statement of cash flows	14
Company statement of cash flows	15
Notes to the financial statements	16 – 39

Strategic Report for the year ended 31 December 2017

Review of business and future developments

The directors consider the profit and loss result, turnover and net debt (defined as cash balances less any internal and external borrowings) to be the key performance indicators for the company. The results for the group show a profit before taxation of £9.9 million (2016: loss £0.15 million) for the year and turnover of £63.6 million (2016: £45.6 million). The group has net debt of £51.8 million (2016: £51.2 million) and net assets, including long term balances to and from group entities, of £19.3 million (2016: £10.2 million). Turnover has increased in the year due to high demand for stallion nominations and a higher average stud fee and although associated cost of sales have also increased, gross profit has grown by 69% year on year. Demand for the stallions continues to be robust and average stud fees have increased further in 2018.

The financial statements have been prepared on a going concern basis. The group has received an undertaking from the representative of the principal shareholder that for at least 12 months from the date of approval of these financial statements, funding as required by the company will continue to be made available to enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due.

As at the year end the directors considered that with the worldwide economic recovery continuing, bloodstock values at the top end of the market have moved positively and international demand for quality thoroughbred bloodstock remains positive for the company's future prospects.

Business environment and strategy

The company's client base and activities are heavily influenced by international bloodstock markets. The company strives to breed top class performing racehorses that will further enhance the broodmare band and stallion roster. This continues to be the company's primary objective and decisions on the future of the company's bloodstock herd reflect that objective.

The company is fully committed to protecting the natural surroundings in which it operates; to the health, safety and welfare of employees and visitors; and to supporting local communities. The company donates to local, regional and national charities and encourages new employees into the industry with support of Racing to Schools, the National Stud and West Suffolk apprenticeship programs.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks, including operational and financial risks.

Operational risk management

The operational risks and uncertainties relate mainly to the health and safety of horses and people together with the performance of the company's bloodstock and the risks posed by competitors within the market. The company mitigates these risks with the highest standard of equine care combined with rigorous health and safety procedures. The company also ensures that diversity in the breeding programme is maintained through the use of external stallions and the purchase of selective out-cross fillies.

**Strategic Report for the year ended 31 December 2017
(continued)**

Financial risk management

The company's operations expose it to degrees of financial risk that include credit risk, liquidity risk, interest rate risk, price risk and foreign currency risk.

Given the size of the company and the associated degree of financial risk, the directors have not delegated the responsibility for monitoring financial risk management. The policies set by the Board of Directors are implemented by the company's finance department.

Credit risk – Sales of bloodstock are made through reputable auction houses and thus the directors believe the company's exposure to credit risk is minimal. If horses are sold privately, funds are received prior to transfer of the horses concerned. Stallion nominations are sold to breeders but certificates of service are not released until payment is received and thus the directors consider risk to be managed.

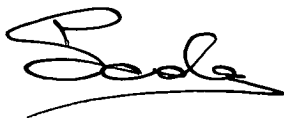
Liquidity risk – Prudent liquidity risk management includes maintaining sufficient cash balances to ensure the company can meet liabilities as they fall due. The directors hold their cash in accounts with sufficient timely access to ensure this.

Interest rate risk – the company has issued unsecured loan stock of £53 million which is redeemable in November 2027. The £53 million of unsecured loan stock is listed on the Channel Islands Stock Exchange. The rate payable is linked to LIBOR, therefore the company is exposed to interest rate fluctuations. The directors carefully monitor cash flows to ensure that the liability can be met as it falls due.

Price risk – the company is subject to price risk regarding the sale of bloodstock. Decisions regarding the sale of bloodstock are made when prices reflect the fair market value of horses.

Foreign currency risk – whilst the company makes transactions in various currencies which are subject to fluctuation, the directors seek to minimise the risk to the company's long term health by endeavouring to settle these transactions on a timely basis.

By order of the Board



M S Saunders
Company secretary
10 September 2018

Directors' report for the year ended 31 December 2017

The directors present their report and the audited financial statements of the group for the year ended 31 December 2017.

Dividend

The directors do not recommend the payment of a dividend for the year (2016: £nil).

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

J W C Swartz
D V Erskine Crum
M S Saunders

No director had any beneficial interest in the shares of the company at any time during the year. No director had any interest in contracts during the course of the year.

Donations

The company made no political donations during the year (2016: £nil).

Events after the reporting date

At the date of this report, the Directors are not aware of any matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in the financial years subsequent to 31 December 2017 not otherwise disclosed in this report.

Close company provisions

The company is a close company under the provisions of part 10 of Section 384 of the Corporation Tax Act 2010.

Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the next Annual General Meeting.

Statement of directors' responsibilities in respect of the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;

**Directors' report for the year ended 31 December 2017
(continued)**

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group and company will continue in business.

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

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

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

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

Strategic report

In accordance with Section 414C(11), information on future developments of the business and financial risk management are dealt with in the Strategic report.

By order of the Board



M S Saunders
Company secretary
10 September 2018

Independent auditors' report to the members of Juddmonte Farms Limited

Report on the audit of the financial statements

Opinion

In our opinion, Juddmonte Farms Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and company balance sheets as at 31 December 2017; the consolidated profit and loss account, the consolidated and company statements of cash flows, and the consolidated company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

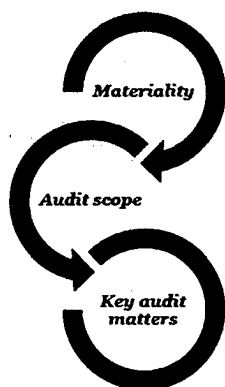
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit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

Independence

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

Our audit approach

Overview



- Overall group materiality: £513,947 (2016: £474,400), based on 1% of total bloodstock assets.
- Overall company materiality: £513,900 (2016: £474,350), based on 1% of total bloodstock assets.

- The group has one significant component and two immaterial components. A full scope audit was performed over the significant component within the group, being Juddmonte Farms Limited.
- Targeted testing was performed over one additional significant financial statement line item within one of the immaterial components, being Fairlawne Estates Company Limited.

- Valuation of bloodstock (group and parent).
- Live foal provision (group and parent).
- Recoverability of intercompany debtors (group and parent).

Independent auditors' report to the members of Juddmonte Farms Limited (continued)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of bloodstock</i></p> <p>Bloodstock is measured using the cost model and is valued at the lower of cost or net realisable value.</p> <p>Net realisable value is assessed by external, independent valuers as at each balance sheet date and, based on their assessment using that independent valuation, the directors subsequently reflect the lower of the two values for each individual horse.</p> <p>Group and parent</p>	<p>We have understood the related control environment and process for the valuation of bloodstock.</p> <p>We met with the director's independent specialists and understood their overall valuation methodology. We also assessed their independence, knowledge and expertise in the racing and breeding industry. We tested the application of their methodology and assessed the reasonableness of the value applied. We used professional scepticism to challenge a sample of valuations.</p> <p>We have performed testing over the cost of bloodstock and have agreed the external valuation of each horse back to management's records. We also tested the inclusion of the lower of cost amount or net realisable value in the financial statements.</p>
<p><i>Live foal provision</i></p> <p>Stallion nominations are provided to certain external customers on a 'special live foal' basis. If a covered mare fails to produce a live foal, the contract price is repaid.</p> <p>A provision is included within the accounts based on the director's best estimate of likely refunds owed in the following year.</p> <p>Group and parent</p>	<p>We have understood and evaluated the process by which the directors prepare the calculation, including key estimates used. We have reviewed the total live foal provision for the prior period to assess the outcome.</p> <p>The key assumptions used in the calculation centre around the applied fertility rate of each stallion. In assessing the appropriateness of the directors' assumptions we compared historical accuracy of the estimated fertility rate to achieved rates and the total provision per stallion to actual refunds given.</p>
<p><i>Recoverability of intercompany debtors</i></p> <p>There are intercompany balances throughout the group which must be assessed for recoverability.</p> <p>Group and parent</p>	<p>We have considered and understood the policies and processes in place around receivables provisioning, specifically the group wide approach to recoverability of intercompany balances.</p> <p>We have tested the intercompany debtor balance for evidence of impairments through: review of movements year on year; assessment of any overdue balances and; assessment of the terms of the lending provided.</p> <p>In concluding on our review, we specifically considered the ultimate controlling party's pledge of continued funding to the group.</p>

Independent auditors' report to the members of Juddmonte Farms Limited (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

Overall group materiality: £513,947 (2016: £438,990), based on 1% of total bloodstock.

We conducted a full scope audit of Juddmonte Farms Limited, which is the only significant component within the group. Testing was also performed over one in scope financial statement line item within a consolidated component; Fairlawne Estate Company Limited. This gave us 100% coverage of total bloodstock assets within the group.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	<i>Group financial statements</i>	<i>Company financial statements</i>
Overall materiality	£513,947 (2016: £474,400).	£513,900 (2016: £474,350).
How we determined it	1% of total bloodstock assets.	1% of total bloodstock assets.
Rationale for benchmark applied	Based on the stated primary objective of the group and the focus given to bloodstock in the annual report; total bloodstock assets is the primary measure used by the group's parent company and ultimate owner in assessing the performance of the group.	Based on the stated primary objective of the company; total bloodstock assets is the primary measure used by the parent company and ultimate owner in assessing the performance of the group.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £1 to £513,900. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £25,697 (group audit) (2016: 23,720) and £25,695 (Company audit) (2016: £23,719) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Independent auditors' report to the members of Juddmonte Farms Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Independent auditors' report to the members of Juddmonte Farms Limited (continued)

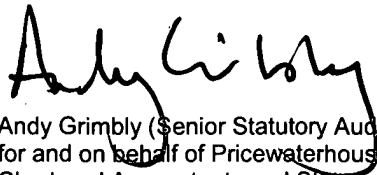
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Andy Grimby (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
11 September 2018

**Consolidated profit and loss account
for the year ended 31 December 2017**

	Note	2017 £	2016 £
Turnover	5	63,572,342	45,556,150
Cost of sales		(32,359,635)	(27,088,853)
Gross profit		31,212,707	18,467,297
Other operating income		428,852	422,938
Other operating expenses		(17,968,627)	(15,628,522)
Net movement on bloodstock		(2,193,273)	(1,700,240)
Operating profit	6	11,479,659	1,561,473
Interest payable and similar expenses	8	(1,592,518)	(1,714,347)
Profit/(loss) before taxation		9,887,141	(152,874)
Tax on profit/(loss)	9	(764,696)	-
Profit/(loss) for the financial year	22	9,122,445	(152,874)

All amounts are in respect of continuing operations.

The notes on pages 16 to 39 are an integral part of these financial statements.

There is no recognised income or expenses for either year other than the profit/(loss) for the financial year, consequently no separate statement of other comprehensive income has been presented.

Consolidated balance sheet as at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	10(a)	15,438,203	18,178,292
		15,438,203	18,178,292
Current assets			
Bloodstock	12	51,394,704	43,899,011
Stocks	13	856,112	799,396
Debtors	14	21,160,378	15,465,342
Cash at bank and in hand		1,271,700	1,919,620
		74,682,894	62,083,369
Creditors: amounts falling due within one year	15(a)	(17,737,632)	(69,972,141)
Net current assets/(liabilities)		56,945,262	(7,888,772)
Total assets less current liabilities		72,383,465	10,289,520
Creditors: amounts falling due after more than one year	15(b)	(53,043,828)	(72,328)
Net assets		19,339,637	10,217,192
Capital and reserves			
Called up share capital	18	60,000,000	60,000,000
Profit and loss account	21	(40,660,363)	(49,782,808)
Total Equity	22	19,339,637	10,217,192

The notes on pages 16 to 39 are an integral part of these financial statements.

The financial statements on pages 10 to 39 were approved by the board of directors on 10 September 2018

and were signed on its behalf by:



D V Erskine Crum
Director

10 September 2018

Company balance sheet as at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	10(b)	13,799,810	16,494,136
Investments	11	21,100	21,100
		13,820,910	16,515,236
Current assets			
Bloodstock	12	51,394,704	43,899,011
Stocks	13	118,537	157,444
Debtors	14	25,066,912	19,651,216
Cash at bank and in hand		1,168,885	1,387,370
		77,749,038	65,095,041
Creditors: amounts falling due within one year	15(a)	(14,930,693)	(67,328,499)
Net current assets/(liabilities)		62,818,345	(2,233,458)
Total assets less current liabilities		76,639,255	14,281,778
Creditors: amounts falling due after more than one year	15(b)	(53,000,000)	-
Net assets		23,639,255	14,281,778
Capital and reserves			
Called up share capital	18	60,000,000	60,000,000
Profit and loss account	21	(36,360,745)	(45,718,222)
Total Equity	22	23,639,255	14,281,778

The notes on pages 16 to 39 are an integral part of these financial statements.

As permitted by section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. Of the profit for the financial year, a profit before tax of £10,122,173 (2016: £71,348) is dealt with in the financial statements of the holding company.

The financial statements on pages 10 to 39 were approved by the board of directors on 10 September 2018

and were signed on its behalf by:



D V Erskine Crum

Director

10 September 2018

Juddmonte Farms Limited. Registered Number: 1746568

Consolidated statement of changes in equity for the year ended 31 December 2017

	Called-up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2016	60,000,000	(49,629,934)	10,370,066
Loss for the financial year	-	(152,874)	(152,874)
Total comprehensive expense for the financial year	-	(152,874)	(152,874)
Total transactions recognised directly in equity	-	-	-
Balance at 31 December 2016	60,000,000	(49,782,808)	10,217,192
Balance at 1 January 2017	60,000,000	(49,782,808)	10,217,192
Profit for the financial year	-	9,122,445	9,122,445
Total comprehensive income for the financial year	-	9,122,445	9,122,445
Balance at 31 December 2017	60,000,000	(40,660,363)	19,339,637

Company statement of changes in equity for the year ended 31 December 2017

	Called-up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2016	60,000,000	(45,789,570)	14,210,430
Profit for the financial year	-	71,348	71,348
Total comprehensive income for the financial year	-	71,348	71,348
Balance at 31 December 2016	60,000,000	(45,718,222)	14,281,778
Balance at 1 January 2017	60,000,000	(45,718,222)	14,281,778
Profit for the financial year	-	9,357,477	9,357,477
Total comprehensive income for the financial year	-	9,357,477	9,357,477
Balance at 31 December 2017	60,000,000	(36,360,745)	23,639,255

The notes on pages 16 to 39 are an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2017

	Note	2017 £	2016 £
Net cash inflow from operating activities	19	1,960,187	1,518,350
Net cash generated from operating activities		1,960,187	1,518,350
Cash flows from investing activities			
Purchase of tangible fixed assets		(1,166,428)	(659,112)
Proceeds of sale of fixed assets		149,016	29,918
Net cash used in investing activities		(1,017,412)	(629,194)
Cash flows from financing activities			
Interest paid		(1,590,695)	(1,722,297)
Net cash used in financing activities		(1,590,695)	(1,722,297)
Net (decrease) in cash and cash equivalents		(647,920)	(833,141)
Cash and cash equivalents at 1 January		1,919,620	2,752,761
Cash and cash equivalents at 31 December		1,271,700	1,919,620
Cash and cash equivalents consist of:			
Cash at bank and in hand		1,271,700	1,919,620
Cash and cash equivalents		1,271,700	1,919,620

The notes on pages 16 to 39 are an integral part of these financial statements.

Company statement of cash flows for the year ended 31 December 2017

	Note	2017 £	2016 £
Net cash inflow from operating activities	19	2,300,408	938,507
Net cash generated from operating activities		2,300,408	938,507
Cash flows from investing activities			
Purchase of tangible fixed assets		(1,080,568)	(544,264)
Proceeds of sale of fixed assets		148,416	22,418
Net cash used in investing activities		(932,152)	(521,846)
Cash flows from financing activities			
Interest paid		(1,586,741)	(1,717,121)
Net cash used in financing activities		(1,586,741)	(1,717,121)
Net (decrease) in cash and cash equivalents		(218,485)	(1,300,460)
Cash and cash equivalents at 1 January		1,387,370	2,687,830
Cash and cash equivalents at 31 December		1,168,885	1,387,370
Cash and cash equivalents consist of:			
Cash at bank and in hand		1,168,885	1,387,370
Cash and cash equivalents		1,168,885	1,387,370

The notes on pages 16 to 39 are an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2017

1 General Information

Juddmonte Farms Limited ('the company') is involved in farming, breeding, boarding and racing of thoroughbred bloodstock. The company is located in the United Kingdom.

Juddmonte Farms Limited is a private company limited by shares and is incorporated and domiciled in England (United Kingdom). The address of its registered office is Banstead Manor Stud, Cheveley, Newmarket, Suffolk, CB8 9RD.

Juddmonte Limited owns 100% of the equity share capital of Juddmonte Farms Limited.

These financial statements are the company's statutory financial statements for the financial year beginning 1 January 2017 and ending 31 December 2017.

2 Statement of Compliance

The group and individual financial statements of Juddmonte Farms Limited have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

Basis of accounting

The financial statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain bloodstock to reflect the net realisable value.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 4.

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

Going concern

The ultimate controlling party has pledged to provide continued funding, if required, to enable the company to discharge its liabilities as they arise for a period of at least twelve months from date of approval of these financial statements. On that basis the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors therefore continue to believe that the going concern concept is appropriate to the company and these entity financial statements have been prepared on a going concern basis.

Notes to the financial statements for the year ended 31 December 2017 (continued)

3 Summary of significant accounting policies (continued)

Consolidated financial statements

The consolidated profit and loss account and balance sheet include the results of the company and its subsidiaries, Fairlawne Estate Company Limited, Eagle Lane Farm Limited and The Banstead Manor Stud Limited made up to 31 December each year. Intra group sales and profits are eliminated on consolidation and turnover and profit/(loss) figures relate to external transactions only. Accounting policies are applied consistently throughout the group.

Foreign currencies

Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

Transactions and balances

Foreign currency transactions during the year are translated into the functional currency at the prevailing rate on the date of the invoice.

At the end of each financial year foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at exchange rates at the end of the financial year of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses are presented in the profit and loss account within 'Exchange (loss)/gain expenses'.

Revenue recognition

Turnover, which is stated net of discounts and value added tax, represents amounts received or receivable for goods and services provided in the normal course of business, together with net race winnings received or receivable.

Nomination income (Stud) is recognised in the period when the service has been provided to the customer. An appropriate provision is made to reflect any refunds that may be payable.

All prizemoney (Racing) earned from racing activities are recognised as revenue once the race has concluded. Transactions are settled by the British Horseracing Authority via Weatherbys Bank.

The company sells bloodstock (Stud and Racing) via public auction houses, private sales or to other Group companies. For auction sales, turnover, net of commission, is recognised on the fall of the hammer, and settled no sooner than thirty five days following the end of the sale. Private sales are recognised once cleared funds have been received.

Farming income represents the invoiced value of goods and services applied derived from farming and associated activities and rental income from property.

Notes to the financial statements for the year ended 31 December 2017 (continued)**3 Summary of significant accounting policies (continued)****Employee benefits**

The company provides a range of benefits to employees, including short term employee benefits such as paid holiday arrangements and post-employment benefits (in the form of defined contribution pension plans).

Short term employee benefits

Short term employee benefits, including wages and salaries, paid holiday arrangements and other similar non-monetary benefits, are recognised as an expense in the financial year in which employees render the related service.

*Post-employment benefits**Defined contribution plan*

The company operates a defined contribution plan for eligible staff. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions or to make direct benefit payments to employees if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The assets of the plan are held separately from the company in independently administered funds. The pension costs charge represents contributions payable to the fund by the company. The contributions to the defined contribution plan are recognised as an expense when they are due. Amounts not paid are included in accruals in the balance sheet.

Taxation

Income tax expense for the financial year comprises current tax recognised in the financial year.

Income tax expense is presented in the same component of total comprehensive income (profit and loss account or other comprehensive income) or equity as the transaction or other event that resulted in the income tax expense.

Current tax assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the financial year or past financial years of the stud farm and farming activities. Racing activities are not subject to taxation. Current tax is measured at the amount of current tax that is expected to be paid using tax rates and laws that have been enacted or substantively enacted by the end of the financial year

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Notes to the financial statements for the year ended 31 December 2017 (continued)

3 Summary of significant accounting policies (continued)

Tangible assets

Tangible assets are stated at historic purchase cost less accumulated depreciation and accumulated impairment losses (where applicable). Cost includes the original purchase price, costs directly attributable to bringing the asset to the location and condition necessary for its intended use, applicable dismantling, removal and restoration costs.

Land and buildings

Land and buildings include freehold buildings, fencing and drainage, road construction and improvements to property. Land and buildings are carried at cost less accumulated depreciation and accumulated impairment losses (where applicable).

Plant and machinery, office equipment and motor vehicles

Office equipment comprises office equipment and furniture and fittings.

Plant and machinery, office equipment and motor vehicles are carried at cost less accumulated depreciation.

Depreciation and residual values

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method over their estimated useful lives, as follows:

Freehold buildings	2%
Improvements to land and buildings	2%
Plant & Machinery	20%
Motor vehicles - operating vehicles	25%
Motor vehicles - other	17.5% for the first four years, 7.5% for the next four years
Furniture and fittings	10%
Computer equipment	20%
Freehold land is not depreciated	

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each financial year. The effect of any change in either residual values or useful lives is accounted for prospectively.

Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Borrowing costs

All borrowing costs are recognised in profit or loss in the financial year in which they are incurred.

Notes to the financial statements for the year ended 31 December 2017 (continued)**3 Summary of significant accounting policies (continued)****Leased assets***Operating leases*

Operating leases do not transfer substantially all the risks and rewards of ownership to the lessor. Payments under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

Investments

Investments are stated at historic purchase cost less any accumulated impairment losses.

Stocks

Stocks, which are valued by professionally qualified independent farm valuers, are stated at the lower of cost and net realisable value. The cost of crops and produce in store and home produced livestock is determined by the cost of production. The cost of purchased livestock, fertilisers, sprays, seeds, feed, fuel oil and stores is based on purchase price. Cultivations are calculated by reference to Central Association of Agricultural Valuers statistics.

Net realisable value is the price at which the stocks can be sold in the normal course of business after allowing for the costs of realisation.

Bloodstock

Bloodstock is measured using the cost model.

Stallions, stallion shares and broodmares are included at the lower of cost or net realisable value. Horses in and out of training, youngstock and foals are included at the lower of cost or net realisable value. Net realisable value is assessed by independent professional valuers.

All stallions, stallion shares and broodmares are depreciated on a straight line basis so that they will have a book value of nil at the end of the year in which they reach fifteen years of age. If they are purchased when they are thirteen years of age or more, they are depreciated on a straight line basis over three years.

The cost of each year's mating for all in foal mares, which represents prepaid production expense at 31 December of that year, is calculated by aggregating a year's depreciation of the mare, the cost of keep of the mare from 1 October and a year's depreciation of the stallion share, or proportion of depreciation of the stallion or cost of nomination, as appropriate. This calculated cost is added to the net book value of the mare and the aggregate is compared with the net realisable value of the in foal mare at the year end. The cost of foals born consists of the cost of the previous year's mating, as above, increased by the cost of keep of the mare for the period to weaning, which is assumed to be 1 October, and by the cost of keep of the foal for the period from 1 October. The cost of foals is not depreciated.

The cost of yearlings and youngstock consists of the cost of foals born in previous years, increased by the cost of keep until the earliest of the date of transfer into training or 30 June of the year in which the horse reaches two years of age. No depreciation is charged, until retirement as a broodmare or stallion, when depreciation on a straight line basis as above will be applied.

Financial instruments

The company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 to account for all of its financial instruments.

Notes to the financial statements for the year ended 31 December 2017 (continued)

3 Summary of significant accounting policies (continued)

Financial assets

Basic financial assets, including trade and other debtors and cash and cash equivalents are initially recognised at transaction price (including transaction costs).

Such assets are subsequently carried at amortised cost using the effective interest method.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the financial asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial liabilities

Basic financial liabilities, including trade and other creditors, bank overdrafts and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as due within one year if payment is due within one year or less. If not, they are presented as falling due after more than one year. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Debt instruments are measured at the present value of future payments, discounted at LIBOR plus 2.5% using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Share capital

Ordinary shares are classified as equity.

Related party transactions

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

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements made in the process of preparing the entity financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical judgement in applying the entity's accounting policies

There are no critical judgements.

Notes to the financial statements for the year ended 31 December 2017 (continued)

4 Critical accounting judgements and estimation uncertainty (continued)

(ii) Critical accounting estimates and assumptions

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

a) *Live foal provision*

The majority of stallion nomination contracts are sold on a "special live foal" basis, with payment due on 1 October in the year of covering. If a mare fails to produce a healthy foal, then the contract price paid will be refunded. Therefore, at the year end, a calculation of the estimated refunds is required. In performing this calculation, consideration is given to such factors as the current levels of barren mares, prior year's history and age of the stallion. See note 15a for the net carrying amount of the live foal provision.

b) *Impairment of assets*

The directors make an assessment at the end of each financial year of whether there is objective evidence that any assets are impaired. When assessing impairment of an asset, the directors consider factors including the current credit rating of debtors, historical experience of cash collections from debtors, market conditions impacting bloodstock and property, and recent health and performance of bloodstock. See notes 10 to 14 for the net carrying amounts of assets.

5 Turnover

The company has one operating segment, namely Bloodstock.

The Chief Operating Decision Maker is the Owner.

Analysis of turnover by category for the group:

	2017	2016
	£	£
Stud	53,008,265	32,831,143
Racing	9,247,658	11,169,650
Farming	1,316,419	1,555,357
	63,572,342	45,556,150

Notes to the financial statements for the year ended 31 December 2017 (continued)
5 Turnover (continued)

Analysis of turnover by geography for the group:

	2017	2016
	£	£
United Kingdom	45,233,659	32,519,410
Continent of Europe	15,150,430	7,811,740
North America	3,000,000	5,225,000
Rest of World	188,253	-
	63,572,342	45,556,150

6 Operating profit

The operating profit is stated after charging/(crediting) for the group:

	2017	2016
	£	£
Wages and salaries	4,242,613	4,548,890
Social security costs	455,356	489,498
Other pension costs	284,549	242,546
Total staff costs charged to profit and loss	4,982,518	5,280,934
Loss/(profit) on disposal of fixed assets	2,858,941	(11,801)
Depreciation of tangible fixed assets	898,560	1,060,137
Operating lease charges	21,775,000	15,725,000
Foreign exchange (gains)/losses	(10,301)	586,232
Fees payable to the Company's auditors and its associates for the audit of the parent Company and the Group's consolidated financial statements	52,476	58,468
Fees payable to the Company's auditors and its associates for other services:		
- the audit of the Company's subsidiaries	10,100	9,800
- Tax compliance services	3,968	16,438
Total amount payable to the Company's auditors and its associates	66,544	84,706

Notes to the financial statements for the year ended 31 December 2017 (continued)

7 Employees and directors

Employees

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

	Group 2017 No	Group 2016 No	Company 2017 No	Company 2016 No
Stud	56	66	56	66
Administration	34	36	33	35
Farm	9	9	-	-
	99	111	89	101

Directors

The directors' emoluments for the group were as follows:

	2017 £	2016 £
Aggregate emoluments	652,627	968,773
Company pension contributions	18,250	15,029

Post-employment benefits under defined contribution pension schemes are accruing to 1 director (2016:1).

Highest paid director

The highest paid director's emoluments in the group were as follows:

	2017 £	2016 £
Aggregate emoluments (excluding loss of office payments detailed below)	370,273	179,270
Company pension contributions to money purchase schemes	-	11,028
Statutory claim	-	30,000
Compensation for early termination of employment	-	295,000

Key management compensation

Key management of the group includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2017 £	Restated 2016 £
Salaries and other short-term benefits	1,034,843	1,319,698
Post-employment benefits	38,806	37,367
	1,073,649	1,357,065

Notes to the financial statements for the year ended 31 December 2017 (continued)

2016 comparatives have been restated to include one individual who was excluded from the prior year figures

8 Net interest expense

Group

Interest payable and similar expenses

Interest on financial liabilities not measured at fair value through profit and loss

	2017 £	2016 £
Interest expense on unsecured loan notes	(1,592,518)	(1,714,347)
Total interest payable and similar charges	(1,592,518)	(1,714,347)

9 Tax on profit/(loss) on ordinary activities

Group

United Kingdom corporation tax of £764,696 arises on the results of the group (2016: £nil). Trading losses of £15,991,651 are available to be carried forward for relief against future profits (2016: £26,962,028).

No deferred tax has been recognised in the financial statements (Note 16).

Notes to the financial statements for the year ended 31 December 2017 (continued)

9 Tax on profit/(loss) on ordinary activities (continued)

Reconciliation of tax expense

Tax assessed for the year is the same (2016: lower) as the standard UK Corporation tax rate of 19.25% (2016: 20%)

The differences are explained below:

	2017 £	2016 £
Profit/(loss) on ordinary activities before taxation	9,887,141	(152,874)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	1,903,275	(30,574)
Effects of:		
Expenses not deductible for tax purposes	685,894	185,265
(Profit) on racing activity	(840,612)	(1,037,489)
Bloodstock tax revaluations	1,045,994	(125,017)
Tax losses (utilised)/not recognised	(1,985,601)	995,949
Difference between capital allowances and depreciation	(44,254)	11,866
Total tax charge for the year	764,696	-

A change in the UK main corporation tax rate from 21% to 20% was effected with effect from 1 April 2015. Accordingly the profits of the company for this financial year are taxed at an effective rate of 20%.

Further reductions in the main rate of corporation tax from 20% to 19% from 1 April 2017 to 31 March 2020 and then from 19% to 18% from 1 April 2020 were announced in the July 2015 budget and substantively enacted on 26 October 2015. In the March 2016 budget it was announced that the rate from 1 April 2020 will be further reduced to 17%. This has not yet been substantively enacted. Closing deferred tax balances have been calculated accordingly.

Notes to the financial statements for the year ended 31 December 2017 (continued)

10 Tangible assets

a) Group

	Freehold and improvements to land and buildings	Plant and Machinery	Motor Vehicles	Furniture and fittings	Computer Equipment	Total
	£	£	£	£	£	£
At 31 December 2016						
Cost	32,779,538	2,454,183	990,135	1,040,059	1,570,252	38,834,167
Accumulated depreciation	(15,460,565)	(2,123,279)	(727,119)	(923,812)	(1,421,100)	(20,655,875)
Net book amount	17,318,973	330,904	263,016	116,247	149,152	18,178,292
Year ended 31 December 2017						
Opening net book amount	17,318,973	330,904	263,016	116,247	149,152	18,178,292
Additions	597,988	232,113	60,711	62,471	213,145	1,166,428
Disposals	(2,975,752)	(18,504)	(9,225)	(4,245)	(231)	(3,007,957)
Depreciation	(463,030)	(178,052)	(132,077)	(32,965)	(92,436)	(898,560)
Closing net book amount	14,478,179	366,461	182,425	141,508	269,630	15,438,203
At 31 December 2017						
Cost	25,108,323	2,132,910	881,864	1,025,076	1,762,335	30,910,508
Accumulated depreciation	(10,630,144)	(1,766,449)	(699,439)	(883,568)	(1,492,705)	(15,472,305)
Net book amount	14,478,179	366,461	182,425	141,508	269,630	15,438,203

Notes to the financial statements for the year ended 31 December 2017 (continued)

10 Tangible assets (continued)

b) Company

At 31 December 2016	Freehold and improvements to land and buildings £	Plant and Machinery £	Motor Vehicles £	Furniture and fittings £	Computer Equipment £	Total £
Cost	29,554,631	1,805,953	754,576	726,204	1,556,826	34,398,190
Accumulated depreciation	(13,701,787)	(1,517,669)	(573,627)	(703,297)	(1,407,674)	(17,904,054)
Net book amount	15,852,844	288,284	180,949	22,907	149,152	16,494,136

Year ended 31 December 2017

Opening net book amount	15,852,844	288,284	180,949	22,907	149,152	16,494,136
Additions	539,212	232,113	60,711	35,387	213,145	1,080,568
Disposals	(2,975,752)	(18,504)	(9,225)	(4,245)	(231)	(3,007,957)
Depreciation	(393,007)	(160,560)	(108,062)	(12,872)	(92,436)	(766,937)
Closing net book amount	13,023,297	341,333	124,373	41,177	269,630	13,799,810

At 31 December 2017

Cost	21,824,640	1,484,680	646,305	686,337	1,748,909	26,390,871
Accumulated depreciation	(8,801,343)	(1,143,347)	(521,932)	(645,160)	(1,479,279)	(12,591,061)
Net book amount	13,023,297	341,333	124,373	41,177	269,630	13,799,810

11 Investments

	Company 2017 £	Company 2016 £
Investment in subsidiaries at cost	21,100	21,100

This represents the company's 100% interest in the allotted share capital of Fairlawne Estate Company Limited, Eagle Lane Farm Limited and The Banstead Manor Stud Limited (see note 24).

The directors believe that the carrying value of investments is supported by the underlying net assets of those companies.

Notes to the financial statements for the year ended 31 December 2017 (continued)

12 Bloodstock

Group and Company

(i) Stallion syndicate Shares

Net Book Value

	2017 £	2016 £
At 1 January	153,255	181,755
Depreciation/Capitalisation	(28,500)	(28,500)
At 31 December	124,755	153,255

(ii) Stallions

Net Book Value

	2017 £	2016 £
At 1 January	1,440,450	1,830,450
Depreciation/Capitalisation	(240,000)	(390,000)
At 31 December	1,200,450	1,440,450

(iii) Broodmares

Net Book Value

	2017 £	2016 £
At 1 January	25,843,184	30,894,061
Additions	2,350,000	1,115,000
Transfers	(6,228,079)	(5,808,986)
Disposals	(1,779,463)	(2,171,566)
Depreciation/Capitalisation	4,869,884	3,141,126
Alignment to net realisable value	(285,987)	(1,326,451)
At 31 December	24,769,539	25,843,184

Notes to the financial statements for the year ended 31 December 2017 (continued)

12 Bloodstock (continued)

(iv) Foals

Net Book Value

	2017 £	2016 £
At 1 January	5,687,111	6,041,253
Additions	75,000	-
Transfers	695,820	(232,267)
Disposals	(27,063)	(230,589)
Depreciation/Capitalisation	647,500	760,900
Alignment to net realisable value	(628,096)	(652,186)
At 31 December	6,450,272	5,687,111

(v) Youngstock

Net Book Value

	2017 £	2016 £
At 1 January	8,686,760	5,401,588
Additions	11,802,865	1,428,702
Transfers	2,762,406	5,064,893
Disposals	(5,422,097)	(3,993,811)
Depreciation/Capitalisation	863,450	1,031,450
Alignment to net realisable value	(1,636,781)	(246,062)
At 31 December	17,056,603	8,686,760

(vi) Horses in Training

Net Book Value

	2017 £	2016 £
At 1 January	2,088,251	2,510,069
Additions	-	3,160,611
Transfers	2,769,853	976,360
Disposals	(2,301,617)	(4,554,578)
Alignment to net realisable value	(763,402)	(4,211)
At 31 December	1,793,085	2,088,251

(vii) At 31 December 2017

	2017 £	2016 £
Total cost of bloodstock	89,308,903	80,531,630
Depreciation	(30,304,926)	(30,942,714)
Alignment to net realisable value	(7,609,273)	(5,689,905)
Total net book value	51,394,704	43,899,011

Notes to the financial statements for the year ended 31 December 2017 (continued)

13 Stocks

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Livestock	47,010	38,796	-	7,200
Tenant rights and cultivations	162,456	164,996	-	-
Crops in store	495,056	435,519	81,058	99,065
Fertilisers, feed and sprays	129,302	137,589	25,307	38,762
Other stocks	22,288	22,496	12,172	12,417
	856,112	799,396	118,537	157,444

There is no significant difference between the replacement cost of stocks of finished goods and their carrying amounts.

Stocks are stated after provision for impairment of £nil (2016: £nil).

14 Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	7,927,161	6,868,542	7,895,758	6,849,406
Amounts owed by group undertakings	11,078,019	6,927,643	11,078,019	6,927,643
Amounts owed by fellow subsidiaries	-	-	4,331,288	4,331,288
Other debtors	39,461	43,560	17,423	19,111
Prepayments and accrued income	2,115,737	1,625,597	1,744,424	1,523,768
	21,160,378	15,465,342	25,066,912	19,651,216

The amounts owed by subsidiaries comprise advances to Eagle Lane Farm Limited £52,819 (2016: £52,819) and Fairlawne Estate Company Limited £4,278,469 (2016: £4,278,469). The amounts owed by group undertakings include Juddmonte Farms Ireland Limited £3,353,538 (2016: £4,970,734), Juddmonte Farms (East) Limited £2,690,350 (2016: £1,956,909) and Juddmonte Limited £5,034,131 (2016: (£8,684,079)).

All amounts owed by subsidiaries and other group undertakings are unsecured, interest free and no fixed terms for repayment have been set, but all amounts are due within one year.

Trade debtors are stated after provision for impairment of £nil (2016: £nil).

Notes to the financial statements for the year ended 31 December 2017 (continued)

15 Creditors

a) Amounts falling due within one year:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Unsecured loan stock	-	53,000,000	-	53,000,000
Trade creditors	1,160,783	868,602	873,395	588,913
Amounts owed to group undertakings	11,097,548	12,135,677	8,616,400	9,785,436
Amounts owed to subsidiaries	-	-	20,000	20,000
Taxation and social security	589,913	189,583	580,099	179,247
Accruals and deferred income	4,889,388	3,778,279	4,840,799	3,754,903
	17,737,632	69,972,141	14,930,693	67,328,499

Trade creditors include £31,940 (2016: £27,216) in respect of outstanding contributions to the company's defined contribution pension plan.

Accruals and deferred income of both group and company include the live foal provision with a net carrying amount of £3,473,750 (2016: £1,853,898).

Amounts owed to subsidiaries and group undertakings are unsecured, interest free and no fixed terms for repayment have been set, but all amounts are due within one year.

b) Amounts falling due after more than one year:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Unsecured loan stock	53,000,000	-	53,000,000	-
Trade creditors	43,828	72,328	-	-
	53,043,828	72,328	53,000,000	-

The unsecured loan stock was issued in November 2017 is redeemable in 2027 and the rate of interest on these loan stocks is LIBOR plus 2.5%. The entirety of the loan stock is held by the ultimate holding company.

Trade creditors represent the purchase of a grain storage facility in 2014 with repayment terms spread over seven years.

Notes to the financial statements for the year ended 31 December 2017 (continued)

16 Deferred taxation

a) Full potential asset:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Accelerated capital allowances	(230,029)	(178,838)	(117,775)	(76,691)
Trading losses carried forward	(2,977,920)	(5,062,066)	(2,463,714)	(4,545,953)
Full potential asset	(3,207,949)	(5,240,904)	(2,581,489)	(4,622,644)

No deferred tax assets have been recognised in these financial statements due to the uncertainty of the recoverability of such assets going forward.

During the year, the relevant deferred tax balances have been re-measured as a result of the change in the United Kingdom main corporation tax rate to 19%, which was substantively enacted on 2 July 2013 and was effective from 1 April 2017.

17 Financial instruments

The Group and the company have the following financial instruments:

(i) Financial assets that are debt instruments measured at amortised cost:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	7,927,161	6,868,542	7,895,758	6,849,406
Amounts owed by group undertakings	11,078,019	6,927,643	11,078,019	6,927,643
Amounts owed by subsidiary	-	-	4,331,288	4,331,288
Other debtors	160,917	193,601	153,475	174,860
Cash at bank and in hand	1,271,700	1,919,620	1,168,885	1,387,370
	20,437,797	15,909,406	24,627,425	19,670,567

Notes to the financial statements for the year ended 31 December 2017 (continued)

17 Financial instruments (continued)

(ii) Financial liabilities measured at amortised cost:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	1,160,783	868,602	873,395	588,913
Amounts owed to group undertakings	11,097,548	12,135,677	8,616,400	9,785,436
Loan from holding company	880,116	880,116	-	-
Other creditors	1,398,143	1,910,046	1,361,949	1,898,902
	14,536,590	15,794,441	10,851,744	12,273,251

18 Called up share capital

Group and company

	2017 £	2016 £
Authorised:		
60,000,000 (2016: 60,000,000) Ordinary shares of £1 each	60,000,000	60,000,000
Allotted, called up and fully paid:		
60,000,000 (2016: 60,000,000) Ordinary shares of £1 each	60,000,000	60,000,000

19 Notes to the cash flow statement

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Profit/(loss) before taxation	9,887,141	(152,874)	10,122,173	71,348
Net interest expense	1,592,518	1,714,347	1,588,564	1,709,171
Operating profit	11,479,659	1,561,473	11,710,737	1,780,519
Depreciation	898,560	1,060,137	766,937	914,051
Loss/(profit) on disposal of fixed assets	2,858,941	(11,801)	2,859,541	(11,895)
(Increase)/decrease in bloodstock	(7,495,693)	2,960,165	(7,495,693)	2,960,165
Tax paid	(500,000)	-	(500,000)	-
Working capital movements:				
(Increase)/decrease in stocks	(56,716)	109,298	38,907	(40,989)
Increase in debtors	(5,695,036)	(1,119,730)	(5,415,696)	(1,406,447)
Increase/(decrease) in creditors	470,472	(3,041,192)	335,675	(3,256,897)
Net cash inflow from operating activities	1,960,187	1,518,350	2,300,408	938,507

Notes to the financial statements for the year ended 31 December 2017 (continued)

20 Analysis of changes in net debt

	At 1 January 2017 £	Cash flows 2017 £	Loan stock movement during the year £	At 31 December 2017 £
Cash in hand and bank	1,919,620	(647,920)	-	1,271,700
Debt falling due within one year	(53,000,000)	-	53,000,000	-
Debt due after one year	(72,328)	28,500	(53,000,000)	(53,043,828)
	(51,152,708)	(619,420)	-	(51,772,128)

The movement is due to the extension of the Eurobond maturity date in the year.

21 Reserves

	Company profit and loss account £	Group profit and loss account £
At 1 January 2017	(45,718,222)	(49,782,808)
Profit for the financial year	9,357,477	9,122,445
At 31 December 2017	(36,360,745)	(40,660,363)

22 Reconciliation of movements in shareholders' funds

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Opening shareholders' funds	10,217,192	10,370,066	14,281,778	14,210,430
Profit/(loss) for the financial year	9,122,445	(152,874)	9,357,477	71,348
Closing shareholders' funds	19,339,637	10,217,192	23,639,255	14,281,778

Notes to the financial statements for the year ended 31 December 2017 (continued)

23 Capital and other commitments

The company is committed to sponsor the Juddmonte International Stakes at York in 2018 at a cost of £350,000 and sponsorship of the Middle Park, Cheveley Park and Royal Lodge Stakes at Newmarket from 2018 to 2020 at a total cost of £525,000.

The group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Not later than one year	16,250,000	6,900,000	16,250,000	6,900,000
Later than one year and not later than five years	-	2,750,000	-	2,750,000
	16,250,000	9,650,000	16,250,000	9,650,000

There were no contingent liabilities as at 31 December 2017 (2016: £nil).

24 Subsidiary companies

The company owns 100% of the allotted share capital of the following companies, all of which are incorporated in the United Kingdom and registered in England and Wales:

Name	Nature of business	Ordinary share capital
Fairlawne Estate Company Limited The Estate Office, Fairlawne Estate, Shipbourne, Tonbridge, Kent, TN11 9RT	Farming	£1,000
Eagle Lane Farm Limited Banstead Manor Stud, Cheveley, Newmarket, Suffolk, CB8 9RD	Dormant	£100
The Banstead Manor Stud Limited Banstead Manor Stud, Cheveley, Newmarket, Suffolk, CB8 9RD	Dormant	£20,000

Notes to the financial statements for the year ended 31 December 2017 (continued)
25 Related party transactions

During the year the following transactions were undertaken by Juddmonte Farms Limited and its subsidiary, Fairlawne Estate Company Limited, with other companies that are under common control. All transactions were in the ordinary course of business and at fair value.

	2017 £	2016 £
a) JUDDMONTE FARMS LIMITED		
Juddmonte Farms Inc		
Sale of bloodstock	16,475,000	12,190,000
Purchase of bloodstock	1,550,000	3,955,611
Lease of stallions	21,775,000	15,725,000
Management charge by Juddmonte Farms Limited	755,973	611,117
Sale of boarding services	208,000	207,950
Juddmonte Limited		
Management charge by Juddmonte Farms Limited	99,022	79,779
Juddmonte Farms Ireland Limited		
Purchase of boarding services	2,374,913	2,377,886
Management charge by Juddmonte Farms Limited	231,171	201,468
Sale of bloodstock	9,050,000	875,000
Purchase of bloodstock	10,300,000	300,000
Sale of nominations	-	125,000
Juddmonte Farms (East) Limited		
Purchase of bloodstock	1,200,000	20,000
Sale of bloodstock	1,435,000	1,100,000
Sale of nominations	475,000	750,000
Management charge by Juddmonte Farms Limited	57,690	44,829
Sale of boarding services	140,950	141,575
Aralon Advisory Services Limited		
Management fees charged by Aralon Advisory Services Limited	483,500	503,000

Notes to the financial statements for the year ended 31 December 2017 (continued)

25 Related party transactions (continued)

a) JUDDMONTE FARMS LIMITED (continued)

The amounts owed to subsidiaries relate to The Banstead Manor Stud Limited £20,000 (2016: £20,000). The amounts owed to group undertakings relate to Insite Development Company Limited £2,042,125 (2016: £1,895,566), Aralon Advisory Services Limited £86,525 (2016: £122,000) and Juddmonte Farms Inc £8,088,782 (2016: £553,916).

The amounts owed by subsidiaries comprise advances to Eagle Lane Farm Limited £52,819 (2016: £52,819) and Fairlawne Estate Company Limited £4,278,469 (2016: £4,278,469). The amounts owed by group undertakings include Juddmonte Farms Ireland Limited £3,353,538 (2016: £4,970,734), Juddmonte Farms (East) Limited £2,690,350 (2016: £1,956,909) and Juddmonte Limited £5,034,131 (2016: (£8,684,079)).

	2017	2016
	£	£
b) FAIRLAWNE ESTATE COMPANY LIMITED		
Insite Development Company Limited		
Loans advanced by Insite Development Company Limited	605,000	230,000
Aralon Advisory Services Limited		
Management fees charged by Aralon Advisory Services Limited	40,000	40,000

The amounts owed to group and related companies relate to a loan from Juddmonte Limited £880,116 (2016: £880,116).

Balances due to and from group and holding companies as at 31 December 2017 and 2016 are reported under notes 14 and 15.

Under the terms of the tenancy agreement between Fairlawne Estate Company Limited and Insite Development Company Limited, a company under common control, no rent was paid during the year.

**Notes to the financial statements for the year ended 31
December 2017 (continued)**

26 Ultimate holding company and controlling party

The directors consider that the company's ultimate holding company is Juddmonte Limited, which is registered in Guernsey.

The ultimate controlling party is K. A. Abdulrahman.