

## Revaluation 2010

### Commercial Properties Committee

#### Practice Note 30 Valuation of Horse Racecourses

#### 1.0 Introduction

- 1.1 This Practice Note should be used for the valuation of the five horse racecourses in Scotland
- 1.2 At the tone date for valuation, 1 April 2008, the outlook for racing was reasonably good with racecourses operating at a high level of activity with record numbers of fixtures, races and horses in training
- 1.3 In 2008, the number of licensed trainers was at its highest level for 5 years although professional jockey numbers remained static. Over the five years 2004-2008 horses in training, number of fixtures and the number of runners all increased but attendances were seen as gently declining.
- 1.4 Some horse racecourse operators in recent years have made racecourse buildings available for non race day functions and conferences.

#### 2.0 Basis of Valuation

- 2.1 It is recommended that this category of subject is valued using the Comparative Principle of valuation, by reference to gross receipts. A percentage selected from the table at 4.1 should be applied to the gross receipts, excluding VAT, generated from the use of the lands and heritages.

#### 3.0 Valuation Considerations

- 3.1 Gross Receipts
- 3.1.1 All gross receipts, not specifically excluded at 3.1.2, which would accrue to the hypothetical tenant of the lands and heritages, reflecting the annual income to 1 April 2008, should be included in the valuation.
- 3.1.2 Gross receipts to be excluded from valuation.

1.	Tote percentage payment
2.	Management fees
3.	Surplus on sale of fixed assets
4.	Satellite Information Systems dividends
5.	Betting shop income if the Tote is the occupier
6.	Lettings - land/golf course, if shown in separate VR entry
7.	Lettings - buildings, if shown in separate VR entries
8.	Lettings - caravan site/rally income, if shown in separate VR entry.

### 3.1.3 Income from concession lettings.

In the absence of evidence of costs provided by the racecourse operator, it is recommended that income from a concession letting should be included at 50% of the sum received.

### 3.1.4 Media income.

In the absence of information returns in respect of the years 2005 to 2008 care should be exercised if media rights receipts are updated from the 2003 level as this may not be reflective of the actual position at 1 April 2008.

## 4.0 Valuation

### 4.1 Use of the table at 4.1.1

The total adjusted gross receipts should be placed within the vertical range in the Adjusted Gross Receipts column. The low percentage is selected by straight line interpolation to the vertical percentage range in the Low profitability column. The high percentage is selected by straight line interpolation to the vertical range of percentages in the High profitability column. A range from low to high profitability percentages is produced in respect of the adjusted gross receipts. A percentage from within the high/low profitability range produced should then be selected by reference to the factors affecting profitability, listed in appendix 1, and applied to the total adjusted gross receipts to calculate the value.

#### 4.1.1 Table of percentages to be applied to adjusted gross receipts

Adjusted Gross Receipts	Low profitability	High profitability
£1	1%	3%
£1,000,000	3%	5%
£2,000,000	4.5%	6%
£3,000,000	5%	6.5%
£4,000,000	5.5%	7%
£5,000,000	6%	7.5%
£6,000,000	6.5%	8%
£7,000,000	7%	8.25%
£8,000,000	7.5%	8.5%
£9,000,000	7.75%	8.75%
£10,000,000 and over	8%	9%

### 4.2 End Allowances

An end allowance should only be made in respect of exceptional factors which have not been already reflected in the percentage applied in the valuation.

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#### Practice Note 30 APPENDIX 1

	<b>Factors likely to Increase Profitability</b>		<b>Factors likely to Reduce Profitability</b>
1.	Good quality racing.	1.	Poor quality racing.
2.	Few abandoned days racing.	2.	Frequent abandoned days racing.
3.	The majority of racing days in Spring, Summer or Autumn rather than Winter.	3.	A relatively large number of racing days in January and February.
4.	A greater proportion of Flat racing days rather than National Hunt.	4.	A greater proportion of National Hunt days rather than Flat Racing.
5.	A large number of racing days on Fridays, Saturdays or Mondays, especially Bank Holidays.	5.	A large number of racing days mid week.
6.	A few days racing only in a year (minimum 3, maximum 27 days).	6.	Many days racing in a year.
7.	A relatively high proportion of adjusted gross receipts attributable to net income from non racing activities and including catering.	7.	A relatively small proportion of adjusted gross receipts attributable to net income from non racing activities and catering.
8.	Regularly featured on the television and radio.	8.	Rarely covered by television and radio.
9.	Modern buildings with hospitality suites, good stabling, secure car parking and fully utilised.	9.	Old buildings under utilised in poor condition, poor stabling and car parking subject to vandalism.