

PERFORMANCE UPDATE

01 JAN 2016 - 30 SEPT 2016

This briefing provides an update on our financial and business performance against our strategic objectives and delivery of major projects in the first nine months of 2016. This briefing document is the first of what will become regular performance updates.

BUSINESS PERFORMANCE

In order to grow British racing and to deliver our vision of a brighter future for our sport, horses and people, we have nine strategic objectives which determine and drive what we do.



EQUINE WELFARE
LEADERSHIP



SUSTAINABLE
INDUSTRY FUNDING



KEEPING RACING
FAIR AND CLEAN



GROWING BRITISH
RACING TOGETHER



COMPETITIVE AND
COMPELLING RACING



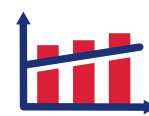
LOOKING AFTER
OUR PEOPLE



PROFESSIONAL
WORKPLACE



WORLD CLASS
RACING



FINANCIAL
RESPONSIBILITY

Progress during the year:



SUSTAINABLE INDUSTRY FUNDING: Established the Authorised Betting Partner scheme, which has secured interim and improved funding for our sport



COMPETITIVE AND COMPELLING RACING: Introduced changes to the fixture list to support industry growth objectives and implemented Optimal Race Planning to improve our approach to creating the race programme



KEEPING RACING FAIR AND CLEAN: Completed reviews of our Disciplinary Panel, Appeal Board and Licensing Committees to ensure confidence in these processes amongst participants



WORLD CLASS RACING: Developed and enacted European-wide changes to the Weight for Age Scale following a year-long consultation and analysis, to ensure the scale provides a level playing field for all runners.

Case study: a new Racing Administration website



GROWING BRITISH RACING TOGETHER: In collaboration with Weatherbys, we are in the final year of an extensive project to replace our core racing systems. The Racing Administration website is visited by almost 2,000 industry professionals each month and the new, updated version will provide trainers, jockeys, owners, agents and administrators with an online administration experience compatible with modern devices and ways of working.

Key elements include:

- **Horse management** – allows trainers to manage and view their horses in training as well as administrate care and control requirements in a much simpler way
 - **Stable employee management** – shifts the management process online, reducing paperwork for trainers, and provides the BHA with accurate and timely information about the number and roles of the people who work in our industry
 - **Race management** – for racecourses and the BHA to analyse, maintain and optimise their race programmes
 - **Race opportunity finder** – helps trainers and owners to find the right races for their horses more easily
 - **Entries, declarations and jockey bookings** – an improved look and feel with pages made mobile-friendly, allowing people who use the system to work on the go
 - **Ownership administration (in development)** – online systems to make ownership registration and administration paperless and less time consuming.
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Case study: streamlining the stewards' room administration system



KEEPING RACING FAIR AND CLEAN: Our stewarding team are present at every race meeting to ensure they are conducted in accordance with the rules and to the highest level of integrity, with the intent to ensure confidence amongst participants and the racing and betting public. We recently updated and streamlined the on-course regulatory system, replacing five individual applications with a single online system which provides greater flexibility and enhances our regulatory processes. We now have real-time visibility over racecourse regulatory events and a system which links up data in stewards' rooms around the country.

Forward look

We've completed our three-year business plan which details activity areas and a new set of initiatives to enable us to meet our strategic objectives and to govern, regulate and represent British racing; to lead and co-ordinate activities which ensure the overall health, development and growth of the industry; and to prioritise the welfare of our horses and our people.

The aim of the business planning process is to ensure that we have appropriately resourced initiatives which meet our strategic objectives and are delivered within a break-even budget.



FINANCIAL PERFORMANCE

Our financial objective is to operate on a break-even basis over the medium-term and to maintain an appropriate level of cash reserves, while being transparent about our business plan and budget.

Overall, performance in the first nine months of 2016 is broadly in line with expectation, income was slightly higher than budget and offset increased one-off operating costs.

Highlights:

- Progress achieved on industry growth targets for ownership, resulting in rises in registration figures and entry-fee income
- Costs are in line with budget, despite additional and unbudgeted costs in certain business areas, including additional legal costs in relation to our compliance work and in establishing the new Racing Authority.

Income and expenditure (£'000)

	30 Sept YTD 2016 Budget	30 Sept YTD 2016 Actual	Variance Budget v Actual	Variance
Total income	24,342	24,516	174	0.7%
Total expenditure	22,962	23,060	(98)	(0.4%)
Surplus/(deficit) before tax	1,380	1,456	76	5.5%

Income and costs compared to budget, and prior year actual

Compared to budget:

- ↑ Income increased by 0.7%, driven by a 1.6% increase in fee income
- ↔ People costs were broadly in line with budget
- ↑ Legal and professional costs increased due to activity relating to the replacement of the Levy and ongoing compliance work
- ↓ Central overheads and depreciation decreased by 22%.

Compared to prior year actual:

- ↑ Income increased by 3.6%, driven by a 3% increase in some charges and increases in owner activity
- ↑ Costs increased 3.9% vs 2015 in the nine months to September
- ↓ Cost reduction in Weatherbys contract by 2.5% (£100,000) in real terms.

Cash and reserves

We ended the third quarter with total operating cash of £7.5 million which is artificially high due to the timing of supplier and capital payments. This compares to £5 million at the start of 2016. By the end of the year, we expect cash levels to be in the region of £4 million due to outflows to cover major capital expenditure, and normal operating expenditure being higher than income in the final quarter of 2016, as the number of fixtures reduces.

We had net liabilities (reserves) of £2.5 million at the close of the third quarter, compared to net liabilities of £3.9 million at the start of 2016. The reserves remain negative due to a large pension scheme deficit.

Full-year forecast:

- An expected deficit before tax of £350,000-£400,000, which is a slight improvement on budget
- A budgeted cash outflow of £773,000 reduced to £650,000, partly as a result of delaying some capital projects into 2017
- Our income forecast is 0.8%, £250,000 higher than budget
- Our costs forecast is 0.6% higher than budget.