



# 2018

ANNUAL REPORT AND ACCOUNTS



**BRITISH  
HORSERACING  
AUTHORITY**



# CONTENTS

|  |    |
|--|----|
| BHA Vision and Mission                     | 4  |
| Chair’s Statement                          | 6  |
| Chief Executive’s Foreword                 | 8  |
| Financial Report                           | 13 |
| Strategic Report                           | 25 |
| Equine Welfare Leadership                  | 26 |
| Keeping Racing Fair and Clean              | 28 |
| Growing British Racing Together            | 40 |
| Competitive and Compelling Racing          | 42 |
| World Class Racing                         | 48 |
| Looking After Our People                   | 50 |
| Directors’ Report and Governance Statement | 57 |
| Financial Statements                       | 69 |



# BHA VISION AND MISSION

OUR VISION

TOGETHER, WE WILL BUILD A  
BRIGHTER FUTURE FOR OUR SPORT,  
OUR HORSES AND OUR PEOPLE

OUR MISSION

The British Horseracing Authority is responsible for the governance, administration and regulation of horseracing and the wider horseracing industry in Britain. The BHA leads on the development and growth of racing, and prioritises the health and welfare of the sport’s participants

OUR VALUES

- Integrity:** We aim to do the right thing to uphold the BHA's reputation for fairness, and to maintain the trust of our stakeholders.
- Accountable:** We aim to take personal responsibility for our actions and strive to improve the health of British racing.
- Credible:** We aim to be open and honest about what we do, and treat everyone fairly and with respect.
- Responsive:** We aim to stay in-tune with the sport’s diverse stakeholders so that we can effectively meet agreed objectives and goals.
- Progressive:** We aim to promote a forward-thinking and collaborative culture while respecting the strong heritage of British racing as a sport and an industry.



STRATEGIC OBJECTIVES 2018



**Equine Welfare Leadership:**  
To provide equine welfare leadership



**Keeping racing fair and clean:** To grow confidence in British Racing through appropriate regulation and integrity procedures



**Growing British racing together:** To lead in growing British racing's relevance, revenues and reputation



**Competitive and compelling racing:**  
To deliver competitive and compelling racing



**World class racing:**  
To continue to develop a framework that advances Britain's ability to stage the best quality racing in the world



**Looking after our people:** To implement properly-funded and integrated recruitment, training and retention activities

↑  
**Enablers:** culture, values and capability; innovation and technology; representing British racing.  
↑

# CHAIR'S STATEMENT

A sensible starting point for any new Chair is to assess the current landscape and identify the main challenges and opportunities.

It is a pleasure to introduce this Annual Report for 2018 which sets out the range of activity the BHA undertakes as the sport's governing body and regulator. Our Chief Executive, Nick Rust, gives an honest and accountable assessment of how the organisation dealt with the issues and opportunities it faced over the last year.

On behalf of the Board, I would like to thank Nick and all his staff for their work and commitment. The Board and I will endeavour to provide them with the support and challenge they need to be even more effective in future. I would also like to thank the racing family for your immense contribution - as stakeholders, partners and colleagues - in helping the BHA to progress our sport.

I started my role as Chair in June 2019, after the period covered by this Report. Nick's Foreword covers the key moments of the past year in some detail, so I won't add to that. But I would like to thank my immediate predecessor Atholl Duncan who worked with great skill and commitment to keep the sport moving forward together during a difficult period. Steve Harman's period as Chairman has been very well documented. We thank him for his contribution to British racing and wish him well in the future.

It is a privilege to represent a sport that's so steeped in tradition and has played such an important part in enriching the lives of our horses, our people, our communities and our nation. We have so much to be proud of. Racing's Story is a great story to tell. So, I am delighted to be your ambassador and your biggest advocate.

I want to help racing reach the new audiences that we need to attract to grow our sport as well as those we need to reassure. I want to encourage those outside racing to consider our sport afresh and help them recognise the unique contribution it makes to British life. We celebrate the thrill of seeing horses compete, whilst their special affinity with humans brings so much joy and happiness.

Competition for audiences, for sponsors, for media and broadcast space is intense but critical for us to maintain and grow our impact, influence and revenues. I want the BHA to play its part in building the profile of racing and championing innovation to attract new customers. I don't believe in change for the sake of it but where it can help move the sport and industry to be even more successful, financially sustainable and future-proofed, we will be willing to back it. We are listening hard to what our partners and audiences tell us to ensure we can be responsive and supportive.

Digital technology and demographic change are opportunities for racing. We need to understand that those coming of age as adults now have different views to their parents. We can see the impact in people's views on animal welfare, where racing faces a profound ethical challenge. I'm excited by some of the ideas I've already heard to address this by championing our love of horses, their role in our national life and the fulfilling lives they lead as racehorses.



Adapting the way we present our sport to the world is just as important to our engagement with parliamentarians. We have a strong group of MPs who love racing, many of whom I've already met.

But it's important we branch out beyond our core support group to promote the social and economic benefits of our sport. We're much more likely to achieve our objectives with government if we can widen our circle of friends and reassure any doubters.

As Chair of British Rowing and at the British Olympic Association, I have seen sports respond to reputational and commercial challenges. The external scrutiny of sport's integrity is more intense now than ever. Expectations are high. So, the excellent reputation of the BHA and the sport in integrity and equine welfare was a great attraction for me. I'm pleased to report that same professionalism is evident in the sport's approach to safeguarding its more vulnerable people.

We know racing is a family united by our love for horses and the sport and welcoming to everyone who shares our passion. We celebrate individual style and self-expression: no-one should feel they can't be themselves in British racing. And no one should experience prejudice. Our women jockeys - competing head-to-head with men - are a huge asset. We must make the most of their appeal as well as the diverse backgrounds of people across the industry: racing is open to everyone.

One thing I am very clear about, when I assess the opportunities ahead. Now is the time for unity, not division; for leaders who can work together, cooperate and sometimes compromise on all but our integrity. I'm sure we can always improve the way our organisations interact in the governance of the sport, but I hope we can focus on seizing opportunities and addressing immediate challenges rather than further structural reform.

Given our place in the sport, the BHA must be collaborative to the core, a role model for partnership without losing the independence and rigour that maintains the trust of government and others. That's the bedrock of our credibility with external audiences as the sport's regulator. But we know our credibility within the sport depends upon an open and trusting relationship with our participants and I look forward to working with you all to secure the very brightest of futures.

**Annamarie Phelps**  
Chairman

# CHIEF EXECUTIVE'S FOREWORD

The foreword of an Annual Report always provides an opportunity to stand back and reflect, seeing a year in snapshot, and asking if it was a good year, a challenging one, or a mixture of both.

2018 was undoubtedly a great year for British racing on the track. Victories for British-trained horses at the Arc, Breeders' Cup, Dubai World Cup and Melbourne Cup meetings in 2018 not only stirred a sense of national pride, but showed that British racing is truly world class. At the Cheltenham Festival, British-trained horses won the Champion Hurdle, Champion Chase and the Cheltenham Gold Cup. The fact that horses from elsewhere won a string of other big races suggests that we continue to attract the best of the rest as well.

The sport needs its stars, equine and human, to build engagement with the sport. Stradivarius, in taking the first Weatherbys Hamilton Stayers' Million, won a £1m bonus but, more importantly, a legion of fans, who are continuing to cheer on their hero in 2019. And, on the subject of star quality, we were delighted to welcome Tiger Roll as a popular winner at both the Cheltenham Festival and the Grand National.

There is much to celebrate in our sport and it is helpful, as a regulator, to be reminded of this. The role of a regulator is to ensure fairness and fair play. Doing so requires the establishment and enforcement of rules but the rules exist to protect and empower the majority, far more than they serve to punish or reprimand the minority.

I have reflected on this at length in recent months, following a year in which the BHA's regulatory remit has been challenged on multiple fronts – from within the sport, which sometimes feels the BHA is too remote from the sport it serves, and from

outside it, by those who feel the BHA is too close to racing's stakeholders to be sufficiently robust and impartial.

There is a balance to be struck, clearly, and this balance is best achieved, quite simply, by doing what is right, using a strong evidence base to underpin our regulation, bringing people with us whenever we can, whilst also being mindful that the burden of regulation remains proportionate, manageable and makes a tangible positive difference.

I freely admit that, during the past 12-18 months, we have not always got this right. Sometimes we have moved too fast, sometimes not fast enough. We have worked hard to learn from this, and I restate our commitment to working with others in our sport, understanding their challenges and harnessing their expertise, to make sustained, continuous improvements.

Racing has to keep pace with the outside world. We made some important changes to our stewarding model at the beginning of 2019. The principle behind them was clear; if we want to be seen as a leading sport, we need refereeing and integrity processes and standards that match. That isn't about whether stewards are volunteers or professionals but whether they are equipped and supported to fulfil the role that is required of them. We're running a substantial training and assessment programme to help with this in 2019. I know we could have communicated the changes better at the outset but people from across the sport are now working with us to make this a success.



Challenges from outside the sport, where the BHA's role is to respond on racing's behalf, include those on horse welfare, the subject that engenders more passion and emotion than anything else we encounter. The BHA's mandate to regulate independently on equine welfare was regularly questioned. Animal rights groups remain at the extreme end of the welfare debate but there is no doubt that wider public attitudes to the use of animals in sport are hardening. The balance to be struck here is in talking up racing's excellent record on welfare and safety, whilst also being open to further progress.

The deaths of seven horses as result of racing at the 2018 Cheltenham Festival gave rise to some public concern and political scrutiny and was a sharp reminder that racing is dependent on continued social licence. Our review of the Festival, published in December, re-emphasised the need for the sport to work together on welfare, using an evidence-led approach that focuses on avoiding reasonable risk. Meanwhile, the decision to establish a Horse Welfare Board, with a mix of representation from both inside and outside the sport, including an independent Chair, Barry Johnson, is a further demonstration of our commitment to collaboration and progress in this area.

Public and political expectations are also higher than ever in relation to the care of people. The recruitment of new roles in the areas of safeguarding and diversity reflects the need for racing to ensure the sport is a safe, open and happy place to work. With staffing shortages continuing to pose significant challenges, the development of a positive and diverse culture, reflecting contemporary Britain, is vital.

This brings me to the economic and political context. It seems almost inevitable that I am, once again, writing a foreword that expresses uncertainty about both the timing and the longer-term economic consequences of

the UK's exit from the European Union. The sport has worked hard to understand and minimise the direct impacts, particularly in relation to the movement of horses, but the wider UK economic backdrop remains unclear. We are continuing to work across the sport and with Government, to understand and manage this enduringly fluid situation.

A year ago, I expressed considerable satisfaction at the initial success of our efforts to secure reform of the Levy. We always knew that this was not the end of the story, however, and that further reform was always going to be needed. I expected to be describing the first months in the life of the new Racing Authority in this foreword. However, the Racing Authority fell at a parliamentary hurdle at the end of 2018 and we have been working with DCMS and the Horserace Betting Levy Board on the likely next steps.

Alongside this, securing the sport's finances became more urgent following publication of the Government's Gambling Review in May 2018, which reduced the maximum permitted stake on Fixed-Odds Betting Terminals (FOBTs) to £2 from April 2019. While the sport fully supports efforts to curb problem gambling, the significant effect on betting shops is certain to have knock-on financial implications for racing, which need to be appropriately forecast and mitigated.

The early months of 2019 gave an indication of the challenges to come, with considerable debate around prize money levels, followed by the sobering news that the 2018/19 Levy yield was lower than forecast. The sport must avoid the temptation to retreat into bunkers when the going gets tough, instead working together to confront this shared financial challenge. We must all adapt where necessary, whilst becoming more creative and innovative in our commercial thinking.



With this in mind, the BHA and its members are focusing hard on our collective strategy for the future. As I write, the sport has just commissioned a new independent economic analysis to get a clear understanding of racing's financial position and the flow of funding. The aim is to secure a sustainable future for all stakeholders within the sport, whilst ensuring that decisions around fixtures, prize money and other funding are informed by objective, accurate data and analysis.

The sport's governance becomes vitally important in this context. The BHA Board spent a considerable amount of time in 2018 discussing its operation and structure with our members, partly informed by an independent review of racing's governance, to ensure it remains fit for purpose and equipped to handle contemporary challenges. Already in 2019, we have made changes to the BHA Board composition to give a stronger voice to our members, in the expectation that this will foster greater collaboration. We are undoubtedly stronger together.

Speaking of the BHA Board, I would like to thank Steve Harman, who stepped down as BHA Chair in November, and Atholl Duncan, who stepped into the breach while a new Chair was being appointed. Finally, I extend the warmest of welcomes to Annamarie Phelps, who took up the role in June 2019 and who will lead the BHA Board through this next stage in its evolution.

So, what was the verdict on 2018? Inevitably, it was a mixed picture. While it was sometimes challenging, we have invested time and effort in confronting some harsh realities and setting ourselves up for the future, at the same time as celebrating some magnificent moments in our marvellous sport.

**Nick Rust**  
Chief Executive





# FINANCIAL REPORT

2018 was the second year of our current three year budget cycle (2017-2019), over which period we are aiming to break even in cash terms. Performance in 2018 was again better than budgeted with increases in income leading to an increased surplus. The advantage of being slightly ahead of our three year plan, following improved results in 2017 and 2018, was that fee inflation for 2019 was able to be set at lower levels than anticipated, meaning any surpluses generated in 2017 and 2018 have been used to support increased activity or reduced fees for participants and racecourses in 2019.

Delivering quality and value for money is essential given we are funded by participants and racecourses. The challenge is to balance the needs of the industry and the resources we have available in providing these activities. This means making tough decisions over spending or recruitment but balancing these against the need to drive innovation and be progressive in our service delivery.

A summary of key areas of activity in 2018 is set out below. Many of these items are set against our need to respond to the changing environment which we work within:

- The first full year of the independent judicial panel including delivery of the fast track process to increase efficiency over smaller cases. This new process has delivered financial savings vs budget with the actual panel being required to sit less frequently than they did historically.
- Completion of the Cheltenham Review and implementation of findings.
- Continued progression of diversity and inclusion including the recruitment of specific resource to deliver an industry action plan.

- Significant work in relation to safeguarding and wider industry safeguarding policies.
- Expenditure to ensure compliance with GDPR.
- Consultation and launch of the new model for raceday regulation.
- Increased raceday testing for group and graded races delivered through a new long term agreement with our research and testing partner, LGC.
- Ongoing changes to the race programme including for example optional claiming handicaps.
- Continued expenditure on the rewrite of the Rules of Racing which have been completed and launched in 2019
- The commencement of a review into the buying and selling of horses ('Bloodstock Review') undertaken by independent consultants on behalf of the BHA.
- Ongoing review for delivery of racing administration.
- Changes to corporate structure following meaningful dialogue with member bodies to deliver greater representation on the BHA Board.
- A third party review of BHA's approach to handicapping.
- Negotiation of lower than budgeted pension deficit funding for 2019.

With the above in mind, our company only results below, which exclude statutory adjustments for pensions, demonstrate the overall value being delivered each year.



**PROVIDING VALUE  
FOR MONEY FOR  
THE SPORT REMAINS  
A PRIORITY**

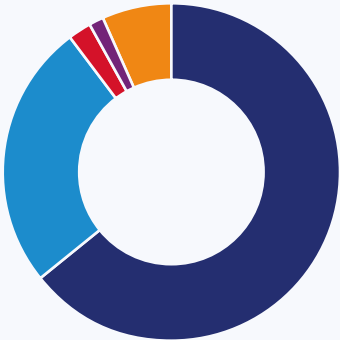


HEADLINE NUMBERS FOR 2017 AND 2018

|  | 2017     | 2018     |
|--|----------|----------|
|  | £'000    | £'000    |
| Income                                       | 33,236   | 34,414   |
| Administrative costs                         | (32,907) | (34,296) |
| Operating surplus                            | 329      | 118      |
| Interest                                     | 12       | 14       |
| Surplus before statutory adjustments and tax | 341      | 132      |

INCOME

|   | 2017   | 2018   | Variance | Variance |
|---|--------|--------|----------|----------|
|   | £'000  | £'000  | £'000    | %        |
| Racecourses                                       | 21,811 | 22,168 | 357      | 1.6%     |
| Owners  | 8,570  | 8,758  | 188      | 2.2%     |
| Other participants                                | 699    | 750    | 51       | 7.3%     |
| Publications                                      | 515    | 528    | 13       | 2.5%     |
| Management and property charges                   | 552    | 559    | 7        | 1.3%     |
| Fines   | 132    | 143    | 11       | 8.3%     |
| International runner and permanent import testing | 184    | 281    | 97       | 52.7%    |
| Industry training and careers marketing income    | 39     | 229    | 190      | 487.2%   |
| Great British Racing International funding        | 325    | 428    | 103      | 31.7%    |
| Other   | 409    | 570    | 161      | 39.4%    |
| Total statutory income                            | 33,236 | 34,414 | 1,178    | 3.5%     |



- 64.4% Racecourses
- 25.5% Owners
- 2.2% Other participants
- 1.5% Publications
- 6.4% All other

INCOME EXPLAINED

The structure of our income does materially change each year with circa 65% coming from racecourses, 25% from owners and 10% from other areas. Racecourses receive central funding from the Horserace Betting Levy Board to assist them in funding a significant proportion of these costs.

In line with our prior commitment to stakeholders all fees rose by 2.75% in January 2018, which was lower than inflation (3% CPI in December 2017) and significantly lower than the CPI plus 0.75% which could have been applied, based on the 3-year agreement with our members.

Income from **racecourses** rose by 1.6%. 2017 included a one-off amount which masks the comparison, when this is removed, the real like-for-like increase is 4.2%, driven by a mixture of the inflationary increase described above and additional fixtures.

Income from **owners** rose by 2.2%, slightly lower than the level of fee inflation. Income from owners is split into two main areas: entry handling fees and registrations.

Entry handling fees rose by 2.5%, this slightly lower level of increase compared to inflation is primarily due to fewer entries made in overseas races than in 2017, activity, and therefore income, from entries in GB races increased by more than inflation. Increased entry activity is another positive metric.

Registration income rose by 1.9%, again less than inflation due to changes in IFHA passport requirements, the impact of which will be felt again in 2019, and increased discounts for ROA members. Overall registration activity levels were in general positive which helped to minimise the impact of the above two areas and gives confidence over future income levels being maintained.

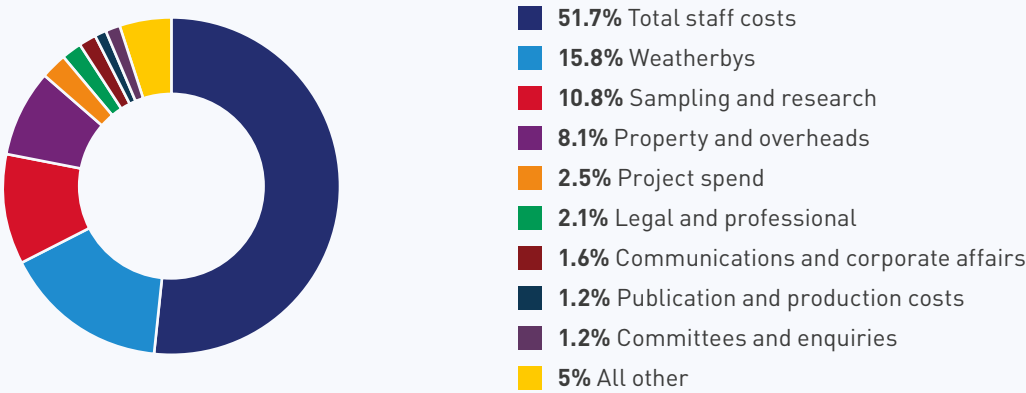
Of the remaining income, the only other areas worth noting are (i) the increase in income from International Runner and Permanent Income testing, this is solely a cost recovery and increases are driven by increased activity and (ii) the large investment in recruitment and careers marketing to address issues within the sport. This funding allowed us to significantly increase activity on behalf of the sport and was a key strategic objective within our business plan.





COSTS

|   | 2017   | 2018   | Variance | Variance |
|---|--------|--------|----------|----------|
|   | £'000  | £'000  | £'000    | %        |
| Total staff costs                       | 16,833 | 17,266 | 433      | 2.6%     |
| Weatherbys                              | 5,341  | 5,282  | (59)     | (1.1%)   |
| Sampling and research                   | 3,506  | 3,595  | 89       | 2.5%     |
| Property and overheads                  | 2,740  | 2,713  | (27)     | (1.0%)   |
| Project spend                           | 677    | 1,395  | 718      | 106.1%   |
| Legal and professional                  | 847    | 686    | (161)    | (19.0%)  |
| Communications and corporate affairs    | 520    | 528    | 8        | 1.5%     |
| Publication and production costs        | 409    | 431    | 22       | 5.4%     |
| Committees and enquiries                | 479    | 405    | (74)     | (15.4%)  |
| IT infrastructure and network costs     | 194    | 234    | 40       | 20.6%    |
| Industry careers marketing              | 174    | 356    | 182      | 104.6%   |
| Internal staff training and recruitment | 197    | 344    | 147      | 74.6%    |
| BHD licence fee                         | 160    | 156    | (4)      | (2.5%)   |
| Impairment charge                       | 148    | 0      | (148)    | (100.0%) |
| Horsemen's Group loan repayment         | (50)   | (75)   | (25)     | 50.0%    |
| Other                                   | 334    | 552    | 218      | 65.3%    |
| GBRI*                                   | 398    | 428    | 30       | 7.5%     |
| Total**                                 | 32,907 | 34,296 | 1,389    | 4.2%     |



\* GBRI total costs amounted to £428,000, offset by £428,000 of income that GBRI derives from other sources, meaning no overall cost to BHA.

\*\* Total costs are different to those shown in the statutory accounts due to statutory pension adjustments for pensions, the above costs include the BHA's cash contributions to the pension scheme. Where structural changes have been made in 2018 for reporting purposes, the 2017 cost comparisons have been updated to ensure appropriate evaluation can be made.

COST ANALYSIS

Overall costs rose by £1.4m (4.2%) in 2018, partly as a result of additional activities. If these additional project costs are removed and a like-for-like project spend assumed then costs only rose by 2%, 1% lower than CPI inflation. Greater detail of significant costs and / or cost changes is explained below. The intention is to be open and transparent in our reporting on our financial performance.

- **Total staff costs** include the cost of all staff and the BHA Board. Overall, costs rose by 2.6% mainly due to general salary inflation of 2.75%. Changes in headcount shown below, did not add to overall costs with structural changes in certain areas offsetting increased resource in other areas.
- **Weatherbys** provide administration services on a long-term contract which expires on three years' notice. For the second year running a real terms saving was delivered with costs in nominal terms being lower than in 2016. This has been achieved alongside new and improved administration services for participants.
- **Sampling and research** has been restated in 2018 to include both equine sampling and research and jockey sampling. 2018 was the last year of our agreement with LGC, our research and testing partner, and we have signed a new agreement which takes us through to the end of 2023. This long term commitment from both parties allows for continued investment in operational improvements as well as new capital expenditure by LGC in new state of the art equipment. This area of activity remains a key area of our strategic business plan in 2019 and going forward. The increased spend in 2018 reflects both inflation and activity changes.

- There have been limited changes in our **property and overhead** costs in 2018. Leases on our London offices are due for renewal in 2020 with a rent review in 2019. We will therefore look at all options for the future needs of the business. These property and overhead costs are shown gross and do not take account of the significant areas of space which we recharge to other Racing stakeholders.
- **Project spend** is naturally variable each year due to the needs of the business to react to industry changes and lead on new activities, therefore yearly comparisons are rarely of great benefit. The three main areas of spend in 2018 were as follows:
  - Development of the new Rules book which have already been completed and delivered in 2019. Its intention to simplify and remove policy from the rules will create more understandable rules for participants to follow and for us, as regulator, to enforce.
  - The review into the buying and selling of racehorses was a significant area of focus in 2018. This work was undertaken by independent experts, the findings of which are again due in 2019.
  - We also undertook a review of Racing Administration practices and engaged an external technology firm to assist with this review.

- **Legal and professional costs** reduced by 19% in 2018, following a 35% reduction in 2017 meaning a 52% reduction (£621,000) in the last two years. This is driven by savings in levy related, regulatory and corporate costs offset by increases in employment and pension advice.
- **Communications and corporate affairs** is a relatively consistent area of expenditure. We cover costs associated with our government relations activity, the Godolphin Stud and Stable Staff Awards, The Horse Comes First campaign, which is co-funded with other stakeholders, racing's community engagement programme ('Racing Together') through Racing to School and also activity to launch Racing Futures to assist with delivering a clear vision for the sport.
- **Publication production** costs relate primarily to the Racing Calendar and Programme Book. After three years of cost savings, we increased costs in this year by £22,000. These costs were specific to commissions paid for the sales of advertising on the New Racing Administration Site and the Racing Directory. These costs have delivered in relative terms a significant increase in other income. Excluding this additional area of spend costs are consistent with 2018. In 2019, we will make further changes to the delivery of the Racing Calendar and Programme Book which will deliver further cost savings which have been passed back to participants through reduced publication fees.
- **Committee and enquiry** costs fell by £74,000 in 2018 as the new fast track process was launched significantly reducing the number of panel sittings required as well as providing improved response times for participants.
- **Industry careers marketing** was an area of focus during 2018 as we significantly increased spend on industry recruitment initiatives in order to recruit new staff and address an overall issue with racing's wider workforce. Further spend was made on safeguarding policies and support. These are wider strategic initiatives for the sport and for BHA as set out in our business plan.
- **Internal staff training and recruitment** was another priority. Training costs increased by 10% as we aimed to support staff development across the business. Recruitment costs were driven by senior recruitment at board, executive and senior management level.
- The £75,000 credit in relation to the **Horsemen's Group loan**, was an adjustment to a bad debt provision having received this cash in early 2019. This leaves a balance of £125,000 outstanding from the original £500,000 loan.

STAFF ANALYSIS

Our permanent headcount was 243 (217.1 FTE) at 31 December 2018, 13 (10.8 FTE) higher than at the same time in 2017. These numbers exclude sessional staff who are not included in the table below. These headcount numbers are a snapshot and can be distorted where roles are vacant in one year but have been recruited by the end of the following year.

|   | Number of staff | FTE   | Number of staff | FTE   | Number of staff | FTE      |
|---|-----------------|-------|-----------------|-------|-----------------|----------|
| Business area                                 | 2017            | 2017  | 2018            | 2018  | Variance        | Variance |
| Integrity and regulatory operations           | 102             | 87.1  | 107             | 91.4  | 5               | 4.3      |
| Raceday operations and regulation             | 54              | 47.3  | 58              | 49.6  | 4               | 2.3      |
| Racing and operations                         | 40              | 39.3  | 43              | 42.7  | 3               | 3.4      |
| Executive office (includes executive support) | 15              | 14.6  | 15              | 14.5  | -               | (0.1)    |
| Communications and corporate affairs          | 8               | 7.5   | 7               | 6.5   | (1)             | (1)      |
| Industry recruitment, training and retention  | 5               | 4.8   | 6               | 5.8   | 1               | 1        |
| GBRI  | 4               | 4     | 4               | 4     | -               | -        |
| Legal and governance                          | 2               | 1.6   | 3               | 2.6   | 1               | 1        |
| Total   | 230             | 206.3 | 243             | 217.1 | 13              | 10.8     |

**Integrity and regulatory operations** and **Raceday operations and regulation** are better explained as one, as these functions provide regulation for the sport on both a raceday and through head office activities. Also by reviewing them as a combined total it enables any transfers between different regulatory functions to be ignored.

The increase of 9 heads (6.6 FTE) within this area is due to a combination of factors: increasing resource within the raceday functions (mainly stewarding, veterinary and equine welfare integrity officers) to undertake additional regulatory activities. The other area was an increase in project based resource (one of which was an internal transfer from communications and corporate affairs) to continue to drive forward services and innovate.

The **Racing and operations** team had various temporary vacancies at the end of 2017 and the three additions in 2018 were merely a result of these vacancies being filled.

The **Executive office** includes our executive directors, their support staff and other staff not included elsewhere. Whilst the overall number didn't change, the split has changed slightly with one personal assistant leaving but a Head of Diversity and Inclusion having been recruited.

The **Industry recruitment, training and retention** teams took on additional resource in the careers marketing area to support delivery of a key strategic objective. Further recruitment has been made in 2019.

The **Legal and Governance** functions have taken on an additional lawyer in 2018 which has helped reduced external legal spend.



GENDER PAY REPORTING

We are required to comply with Gender Pay Gap reporting requirements given our relevant employees are over 250 at the snapshot date of 5 April 2018. Relevant employees at this date include a number of sessional workers who are ordinarily excluded from our headcount numbers on page 19.

The results are shown in the tables below.

|   | 2017 | 2018 |
|---|------|------|
| Mean gender pay gap in hourly pay       | 16%  | 18%  |
| Median gender pay gap in hourly pay     | 15%  | 10%  |
| Mean bonus gender pay gap               | 66%  | 42%  |
| Median bonus gender pay gap             | 31%  | 0%   |
| Proportion of Males receiving a bonus   | 20%  | 87%  |
| Proportion of Females receiving a bonus | 34%  | 95%  |

PROPORTION OF MALES AND FEMALES IN EACH QUARTILE  
PAY BY QUARTILE (2017 NUMBERS SHOWN IN BRACKETS)

|            | Male      | Female    |
|------------|-----------|-----------|
| Quartile 1 | 78% (78%) | 22% (22%) |
| Quartile 2 | 81% (73%) | 19% (27%) |
| Quartile 3 | 69% (80%) | 31% (20%) |
| Quartile 4 | 51% (47%) | 49% (53%) |

GENDER PAY REPORTING

The BHA's gender pay gap, which is slightly below the national average, is primarily owing to:

- Fewer women in senior management positions
- A relative concentration of females in the lowest pay quartile

Even allowing for the above we have seen an improvement from 15% to 10% in our median gender pay gap between 2017 and 2018.

We set out below positive changes made since the publication of our first gender pay report and also our future commitments as we seek to continue seek to make positive changes.

|                           | Implemented actions   | Future committed activities   |
|---------------------------|---|---|
| Equipping our leaders     | Leadership, management and unconscious bias training<br>Appointed head of diversity and inclusion to drive change initiatives | Deliver diversity and inclusion programmes to managers  |
| Recruitment               | Introduced gender neutral recruitment processes<br>Diverse and balanced selection panels used for interviews                  | Review internal progression and promotion<br>Provide training to ensure managers adopt neutral recruitment practices<br>Introduce monitoring for diversity and inclusion                                      |
| Retention and Development | Employees can request flexible working (including working from home)<br>Provide option of shared parental leave               | Review succession plans and strategies to ensure balanced talent pipelines<br>Promote career progression through management practices and development opportunities<br>Benchmark our enhanced maternity leave |

RECONCILIATION TO STATUTORY ACCOUNTS

When preparing statutory accounts, we are required to make an adjustment to the way we treat pension contributions. In the costs provided on page 16, we show pension contributions based upon the cash contributions paid as we believe this better reflects the real cost to the business.

For statutory purposes, we replace these contributions with interest and service costs as prescribed under Financial Reporting Standard 102. This ensures consistency across all corporate accounts and improves our results for 2018 by £646,000.

We have excluded these adjustments from the financial analysis as they distort the cost of our operations and are unpredictable.

We are also required to produce consolidated statutory numbers which include the operations of Great British Racing Limited and British Horseracing Database Limited. The analysis and commentary above is based on the BHA's activity only.

|   | 2017  | 2018  |
|---|-------|-------|
|   | £'000 | £'000 |
| Surplus before statutory adjustments and before tax | 341   | 132   |
| Adjustments in respect of FRS102 for pensions       | 715   | 646   |
| Statutory surplus before tax                        | 1,056 | 778   |

TAXATION

As the BHA is considered a commercial entity for corporation tax purposes, we continue to take advantage of Research and Development (R&D) tax credits for expenditure incurred in veterinary and medical research. The refund from HM Revenue and Customs

(HMRC) in January 2018 was £11,000 higher than had been previously provided, this plus a likely repayment of £56,000 in respect of 2018 anticipated credits gives the total tax credit of £67,000.

|                                     | 2017  | 2018  |
|-------------------------------------|-------|-------|
|                                     | £'000 | £'000 |
| Surplus / (deficit) before taxation | 1,056 | 778   |
| Taxation                            | 173   | 67    |
| Surplus / (deficit) after taxation  | 1,229 | 845   |

COMPANY BALANCE SHEET

The BHA's balance sheet is again relatively stable year-on-year with the main changes being caused by significant capital spend, working capital movements or a change in the pension deficit liability. Total net assets improved from net liabilities of £8.6m in 2017 to net assets of £1.3m in 2018. This was almost entirely due to other comprehensive income of £9m in relation to changes in actuarial assumptions in the pension scheme.

At total assets less current liabilities level (which excludes the pension liability) the change is significantly less with overall assets increasing from £9.4m to £9.6m. In many ways, this is a better reference point for the ongoing assets of the company.

Fixed assets reduced from £5.4m to £5.1m over the year primarily as a result of depreciation and amortisation charges. There was lower capital expenditure (including capitalised development staff costs) than in previous years due to no major expenditure being made.

Debtors reduced from £7.9m to £7.5m, this was a result of reduced trade debtors at year end offset by a higher level of prepayments.

Cash reduced from £10.8m to £10.5m. Our cash balances include ringfenced items which we do not use for normal activities, once excluded the real movement in operating cash was from £4.8m to £4.9m.

Creditors falling due within one year reduced from £14.8m to £13.6m, the reduction being driven by reduced trade and other creditor balances.

The pension scheme deficit reduced from £17.9m to £8.2m. As discussed above, a large part of this movement arose from changes in actuarial assumptions following the latest valuation, as well as experience adjustments which contributed towards a reduction in plan liabilities of £13.5m. The impact of GMP equalisation was estimated at 1% of scheme liabilities and has been included in the liability of the scheme.







# STRATEGIC REPORT

|                                   |    |
|-----------------------------------|----|
| Equine Welfare Leadership         | 26 |
| Keeping Racing Fair and Clean     | 28 |
| Growing British Racing Together   | 40 |
| Competitive and Compelling Racing | 42 |
| World Class Racing                | 48 |
| Looking After Our People          | 50 |



# EQUINE WELFARE LEADERSHIP

Ensuring the best possible standards of equine welfare and safety remains a key priority, and the BHA is continuing to consider how racehorses enjoy a “life well lived” at all stages of their lives and careers. The BHA’s regulatory role in setting and applying welfare standards sits in a broader context of continuous improvement across the sport, with all stakeholders and participants playing their part.

## Horse welfare programme

An effective welfare strategy requires racing to come together, as we cannot simply regulate our way to success. With that in mind, the BHA worked with its members in 2018 on the development of a cross-industry horse welfare programme. An interim group was convened from across the industry to determine how best to achieve this. The first consequence was the decision to create a new, independently-chaired Horse Welfare Board, which is being convened in 2019 with the initial objective of creating an equine welfare strategy for – and with – the whole of racing.

## 30-day foal notifications

The requirement for breeders to notify Weatherbys General Stud Book (GB) within 30 days of the birth of any foal bred for racing was introduced from 1 January 2018. This requirement provides greater transparency and information regarding the whereabouts of foals born to race in the sport, bringing Great Britain into line with international best practice.

In 2018, 92.3% of foals were notified within 30 days. By mid-July 2019, this had risen to 96.34% – a fantastic result from breeders. Penalty for late notification is considered on a case-by-case basis, with 30 foals being tested due to late notification by mid-July.

## Cheltenham Festival Review

The BHA published a review of the Cheltenham Festival, which contained 17 recommendations aimed at reducing the risk of equine injuries, falls and fatalities at Cheltenham and all Jump racecourses. The 67-page review contained the findings from a rigorous process of data evaluation, consultation and review of video evidence, led by a dedicated review group and with input from external experts including the RSPCA and World Horse Welfare.

The central areas of focus for the review fell across six broad categories: the courses; the obstacles; participant factors; starts, safety factors and race tempo; programming and race conditions; and veterinary histories and protective measures. The detailed analysis covered all races run at the Festival from 2007 to 2018, including 5,451 runners and 308 fallers.

The evidence found that no single factor was definitively responsible for the equine fatalities at the 2018 Festival, and that non-track factors – such as veterinary, participant, and race condition factors – could potentially be of equal, or potentially greater, significance than track-related factors.

The headline recommendations from the Review were:

- Pre-Race veterinary examinations to be increased to include all runners in all races at the Festival, with a view to identifying any risk factors that might make it necessary to prevent a horse from running in a race
- Reduction in ‘safety factor’ (maximum field size) in all 2-mile Chases run at the course from 24 to 20, e.g. the Grand Annual Chase
- Race conditions of the Martin Pipe Conditional Jockeys’ Handicap Hurdle to be altered to remove all rider weight-claiming allowances
- Development of a predictive model, to identify risk factors for all Jump racing, including horse history and performance, rider and training factors

All recommendations with implications for races and procedures at the 2019 Cheltenham Festival were implemented, with the assistance and co-operation of Cheltenham Racecourse and Jockey Club Racecourses, and the jockeys and trainers who competed at Cheltenham during the 2018/2019 season.

## Owner and Trainer Aftercare Surveys

In 2018 the BHA launched the Owners and Trainers Aftercare Surveys. Both surveys benefitted from high response rates.

The Trainers Survey identified that the majority of horses are being sent to retraining or breeding following retirement from racing. The Owner Survey highlighted owners’ interest in the life of the horse after racing. Results from both surveys emphasised the connection between owners and trainers with owners citing trainers’ knowledge and recommendations in over 70% of decisions to permanently retire a racehorse.

The BHA’s equine health and welfare strategy has recognised the valuable responses received from both owners and trainers. Working with the Thoroughbred Industries Meeting Group, the BHA is acting to improve the traceability of retired racehorses. The new Racing Administration System will enable the Owner or Trainer to notify both the BHA and Weatherbys of the decision

to permanently retire a racehorse, complete the equivalent of a non-racing agreement and provide new keeper details. This streamlined process will increase traceability and provide the industry with greater information on the retirement process enabling further improvements.

The Owners Survey found over 90% of owners are aware of Retraining of Racehorses (RoR). RoR is developing a strategy to improve the welfare of ex-racehorses through engagement with industry stakeholders.

## The Horse Comes First

Communicating and promoting racing’s high standards of equine welfare remains a priority. The sport’s cross-industry Horse Comes First Campaign continued to showcase the outstanding care that racehorses receive, both on and off the racecourse. A short film was unveiled on the eve of Royal Ascot, providing a glimpse of life at Somerville Lodge, home to leading trainer William Haggas. William and his team took us on a tour of world class facilities, featuring solariums, water treadmills and 24/7 veterinary care, demonstrating that racehorses really do receive The Royal Treatment.





# KEEPING RACING FAIR AND CLEAN

Like all leading sports, British racing needs to apply the highest standards of regulation and fairness, to ensure a level playing field for participants and to maintain public confidence. We do not simply set and enforce the rules; we also support participants through improved education and training and greater accessibility and transparency.

Enhanced Regulation and Integrity Processes

The evolution of our risk-based framework, which will assist us to prioritise the focus of our integrity functions, continued. As an example, in 2018 the Fast Track system of prosecuting cases was fully embedded and now deals with more than 40% of all cases, saving time and money for everyone involved.

New Stewarding structure

In 2018, following an extensive consultation process, the BHA Board determined that a new model would be applied to the Stewarding structure for British Racing. The new structure is intended to improve standards of officiating, increase consistency, transparency and accountability and to align British racing with other sporting bodies and racing jurisdictions, whilst also respecting and utilising the history, tradition and significant expertise of the current model.

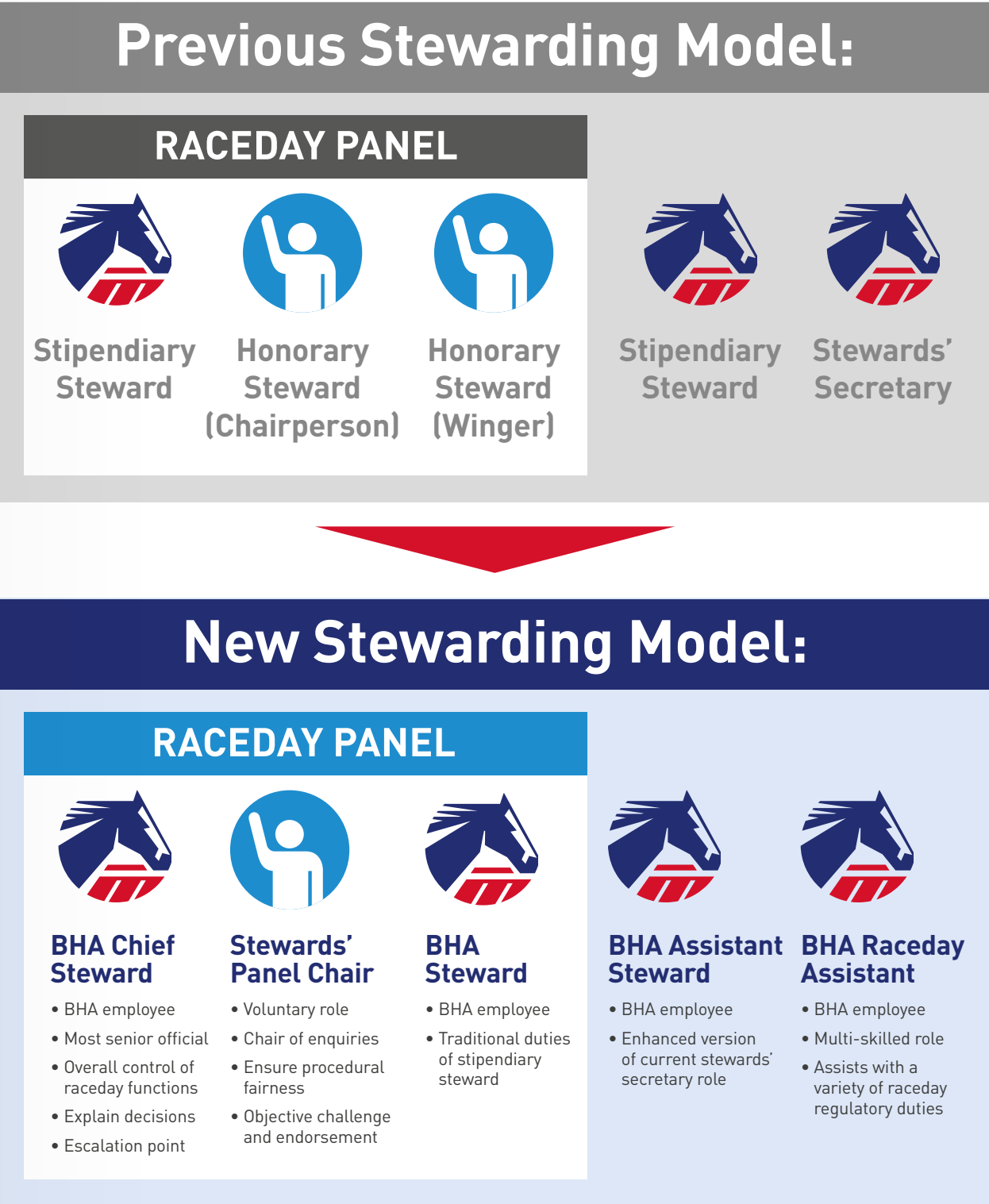
The new structure revolves around the approach that raceday officiating should work as “one team” with consistent standards, expertise and professional development, while retaining the ability for objective challenge and endorsement of decisions.

Key features of the new model are:

- “One team” – a programme of professional development of stewarding expertise amongst both new and existing stewards (both BHA and volunteer stewards)
- The introduction of a new “Chief Steward” role. This will be a professional BHA employee which has overall control of raceday regulatory functions and will provide clear accountability and an escalation point for raceday decisions
- Voluntary stewards to fulfil the role of “Stewards’ Panel Chair” with responsibility for chairing stewards enquiries and ensuring procedural fairness
- Addition of a multi-skilled “BHA Raceday Assistant” to ensure that the stewarding team is better joined up with other raceday functions

A Stewards Consultation Forum, facilitated by broadcaster and journalist Lydia Hislop, was formed in December, to act as a conduit between members of the BHA’s stewarding teams and the BHA Executive and Board, giving feedback on the continuing implementation and development of the Stewarding Review.

The new model was introduced on 1 January 2019, with a focus on improving standards through a competency-based training and professional development programme.





#### Increased transparency

We are continuing to improve the availability of information relating to the horse, to apply greater transparency. For example:

- It is now a requirement that information relating to wind surgery operations is published in racecards
- The @BHASTewards account was launched, which communicates information and updates from the stewards' room direct to social media audiences

Inputs from groups such as the Horseracing Bettors Forum are assisting our work, with further items in discussion and development.

#### Improved equine identification processes

In March 2018, secondary scanning procedures were introduced at racecourses, whereby horses' microchips are scanned upon leaving the stables before a race. The process requires a race-specific identity check. Scanning devices now link the identity of any horse to the runners list for the race for which it is being scanned. If the wrong horse is brought out, an alert within the technology is triggered, minimising the risk of human error.

#### Enhanced Anti-Doping Programme

Further enhancements to the paperless sampling application continued in 2018, with the tool now being used for all forms of raceday testing. The requirement to notify a foal within 30 days of birth came into effect from the commencement of the 2018 breeding season, with industry support very high. Horses not notified within the specified period are now required to submit for testing to ensure transparency and compliance for welfare and anti-doping reasons.

In September 2018 the BHA introduced a policy of testing the first four placed horses in all Group 1, 2 & 3 Flat races and all Grade 1 Jump races. This aligns with international best practice and helps to ensure the integrity of the International Pattern.

A consultation and review was undertaken during the year to consider improvements to the Equine Anti-Doping Rules, with reforms to be introduced in 2019. These reforms will ensure fairness, whilst still protecting the important principle of strict liability where cheating is found to have occurred.

#### Ensure appropriate communication of policies and procedures with participants

An extensive consultation and review of the Rules of Racing took place in 2018, with the aim of simplifying the rules into a more user-friendly framework, with supporting resources. In 2019 this project will be

delivered with accessible e-based tools, for easier navigation of the Rules of Racing.

The development of the BHA Integrity Education Programme continued through 2018 and has already been launched in 2019. We are developing an education programme for our participants, relating to integrity issues, such as drugs, betting and welfare. Not only will this reduce accidental or unintentional breaches of our rules, it will also give increased confidence to the public and allow BHA resources to be focused on more serious threats.

#### New appointments

A number of changes were made to the BHA's Integrity function in 2018. Brant Dunshea was appointed to the role of Chief Regulatory Officer in April. Brant's previous role as Director of Integrity and Regulation was filled in November with the appointment of Tim Naylor.

### 2018 ANNUAL INTEGRITY SURVEY

In 2018, the BHA used ComRes to conduct the annual Integrity Survey. More specifically, the 2018 survey aimed to measure any changes in perception and confidence levels relating to the BHA and how it keeps racing fair and clean. The results from the 2018 survey were benchmarked and compared against the results of the 2017 survey, the first year in which the research was conducted.

The Integrity Survey was conducted online and 1,984 responses were received across a range of stakeholder types: owners, breeders, trainers, jockeys and jockeys' agents, media, racecourses, betting, point-to-point and racing fans.

#### Perceptions of BHA

- 79% of stakeholders believe the BHA performs well as the governing and regulatory body of British racing
- 82% of stakeholders are confident that British racing is run with integrity
- Familiarity of stakeholders with the work of the BHA and its integrity teams has increased significantly since 2017. This increase is most apparent among Jockeys and jockeys' agents.
- Trainers and Jockeys and jockeys' agents believed the integrity of British racing had got better during the previous 12 months.

#### Points of action

- Lack of familiarity with Judicial Panel and decline in confidence of its independence.

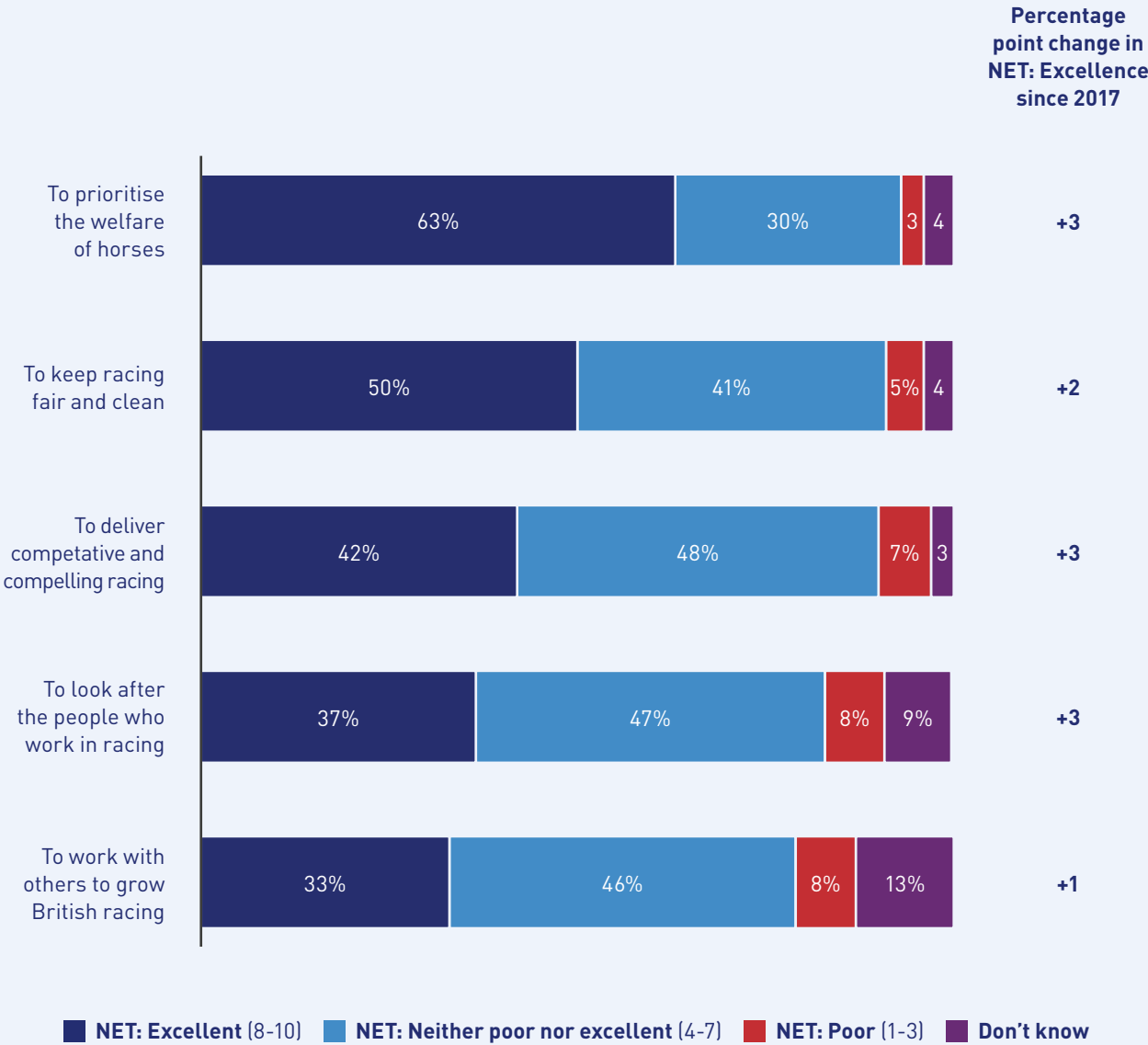


KEY FINDINGS

BHA performance against objectives is broadly positive (all slightly up on 2017 figures which were not published in the report).

| Performance measure                          | NET: Excellent |
|--|----------------|
| To prioritise the welfare of horses          | 63%            |
| To keep racing fair and clean                | 50%            |
| To deliver competitive and compelling racing | 42%            |
| To look after the people who work in racing  | 37%            |
| To work with others to grow British racing   | 33%            |

A majority believe the BHA is effective on all integrity performance measures tested (overall up by one point, these were published in last year’s report).



Percentage figures rounded up or down to the nearest whole number





JUDICIAL PANEL

The independent Judicial Panel plays a vital role in upholding the integrity of horseracing in Britain. The BHA appoints the Judicial Panel Chair to lead and oversee the activities of the Judicial Panel. The Judicial Panel Chair and the members of the Judicial Panel are remunerated by the BHA, but act entirely independently of the BHA.

| Chairmen                  |  |
|---------------------------|--|
| Brian Barker C.B.E. QC    | His Honour Brian Barker has had a distinguished career in the Judiciary, including serving as the Recorder of London – the senior Judge at the Old Bailey – and as a Judge of the Court of Appeal. Heard the second “Deepcut” inquest into the death of Cheryl James and currently holds a number of senior, part-time appointments, including Independent Reviewer of National Security in Northern Ireland, and Assistant Surveillance Commissioner. |
| Tim Charlton QC           | Was a chairman of the former Disciplinary Panel from 2005.   |
| His Honour Philip Curl    | A retired Circuit Judge and, from 2002, a steward at racecourses which include Newmarket and Yarmouth, now retired. Was a member and subsequent chairman of the former Disciplinary Panel since 2011.  |
| David Fish QC             | Queen’s Counsel practising in Manchester and for many years an owner, with a comprehensive knowledge of horseracing.   |
| Patrick Milmo QC          | Queen’s Counsel practising in London, was a chairman of the former Disciplinary Panel and a long-standing owner and breeder.   |
| J Stuart Morrison         | A retired solicitor who practised in Scotland, and a former immigration judge, from which he retired in March 2015 after completing 15 years of service. A prolific owner since 1990 who has enjoyed Group 1 success. Was at one time in partnership in a bookmaking business. A non-executive director of Ayr Racecourse.   |
| William Norris QC         | A practising barrister and former amateur rider. Past chairman of the former BHA Disciplinary Panel, one of the current chairmen of Sport Resolutions General Panel, the National Anti-Doping Panel, FA Independent Panel and IAAF Panel. Trustee of the Injured Jockeys Fund.   |
| His Honour James O’Mahony | A Circuit Judge in Kent with a wide knowledge of horseracing.  |

| Wingers           |   |
|-------------------|---|
| David Adam        | A former Steward, from 1988 to 2014, at c.10 racecourses including Epsom, Goodwood and Sandown Park, and an owner.  |
| Tony Connell      | A retired senior lawyer at the Crown Prosecution Service and a member of several racecourses with a comprehensive knowledge of horseracing.   |
| Edward Dorrell    | Previously a member of the former Disciplinary Panel and the Licensing Committee and has recently retired from Stewarding responsibilities at six racecourses including Chester and Haydock.  |
| John Dyer         | A barrister practising in London and an owner, with a strong knowledge of horseracing.  |
| Chloe Fairley     | A barrister practising in Leeds who rode the winner of the MacMillan charity race for amateurs at York in 2014.   |
| Jodie Mogford     | A former jockey who rode c.170 winners under National Hunt Rules. Jodie is currently assistant trainer to Graeme McPherson QC and will therefore not sit on any cases which involve a licensed trainer who is personally alleged to be in breach of the Rules of Racing or where Graeme McPherson is acting for either party. |
| Jenny Pitman, OBE | A former trainer who trained winners of both the Grand National and the Cheltenham Gold Cup (each twice).   |
| Diana Powles      | Was a member of the former Disciplinary Panel and a now retired Steward who has acted since 1998 at several racecourses including Newmarket, Southwell and Doncaster.   |
| Steve Winfield    | An owner, breeder and devotee of horseracing, with wide knowledge, and who has extensive regulatory and disciplinary experience. Was formerly the Chairman of the Greyhound Regulatory Board.   |
| Yvonne Mee        | Retired BHA Stable Inspector. Over 40 years’ experience in the horseracing industry including being an amateur rider, assistant trainer and holder of a permit to train.  |
| Dr Lyn Griffiths  | Formerly a Racecourse Medical Officer over many years. A senior medico-legal adviser for the Medical Protection Society   |
| John de Moraville | A retired BHA Handicapper from 2004 – 2015. Previously racing journalist and from 1974 – 2004 freelance with BBC TV racing, assisting producers with expert advice and information. Acted as Peter O’Sullivan’s race reader at Cheltenham, Aintree, Royal Ascot and numerous other big meetings.                              |





STEWARDS' ENQUIRIES

|                                | 2017      | 2018      |
|--------------------------------|-----------|-----------|
| Interference (in breach)       | 810 (592) | 812 (605) |
| Whip (in breach)               | 524 (524) | 535 (535) |
| Running and Riding (in breach) | 150 (34)  | 159 (39)  |

DISCIPLINARY PANEL CASES

|  | 2017      | 2018      |
|--|-----------|-----------|
| Exclusion order by the Disciplinary Officer      | 5         | 6         |
| Exclusion following Disciplinary hearing         | 1         | 0         |
| Suspended following Disciplinary hearing         | 0         | 2         |
| Disqualification following Disciplinary hearings | 4         | 1         |
| Disqualification for debts/arrears               | 28        | 7         |
| <b>Total exclusions/disqualifications</b>        | <b>38</b> | <b>16</b> |
| Appeals from racecourse                          | 15        | 21        |
| Referrals from racecourse                        | 10        | 20        |
| Other Disciplinary cases (including fast-track)  | 56        | 52        |
| Compliance cases from Integrity                  | 3         | 6         |
| <b>Total</b>                                     | <b>84</b> | <b>99</b> |
| Appeals Board                                    | 2         | 1         |

INVESTIGATIONS

|                       | 2017  | 2018  |
|-----------------------|-------|-------|
| Intelligence          | 3,392 | 2,141 |
| Investigations opened | 104   | 80    |
| Investigations closed | 105   | 57    |

ANTI-DOPING

Total No. Samples Conducted

| Human                      | 2016 | 2017 | 2018 |
|----------------------------|------|------|------|
| Raceday – Breath           | 2080 | 1935 | 1894 |
| Raceday – Urine            | 436  | 421  | 516  |
| Out of Competition – Urine | 8    | 10   | 5    |
| Out of Competition – Other | 0    | 1    | 0    |
| Racing School – Urine      | 37   | 14   | 0    |

Total No. Adverse Analytical Findings

| Human                      | 2016     | 2017     | 2018     |
|----------------------------|----------|----------|----------|
| Raceday – Breath           | 1        | 3        | 3        |
| Raceday – Urine            | 2        | 2        | 1        |
| Out of Competition – Urine | 0        | 0        | 0        |
| Out of Competition – Other | 0        | 1        | 0        |
| Racing School – Urine      | 0        | 0        | 0        |
| <b>Total</b>               | <b>3</b> | <b>6</b> | <b>4</b> |

Adverse Analytical Findings as % Samples Conducted

| Human                      | 2016  | 2017    | 2018  |
|----------------------------|-------|---------|-------|
| Raceday – Breath           | 0.05% | 0.16%   | 0.16% |
| Raceday – Urine            | 0.46% | 0.48%   | 0.19% |
| Out of Competition – Urine | 0.00% | 0.00%   | 0.00% |
| Out of Competition – Other | N/A   | 100.00% | N/A   |
| Racing School – Urine      | 0.00% | 0.00%   | N/A   |

Total No. Tests Conducted

| Equine                     | 2016         | 2017         | 2018         |
|----------------------------|--------------|--------------|--------------|
| Raceday - Total            | 8690         | 9123         | 9909         |
| Out of Competition - Total | 1846         | 2303         | 2535         |
| <b>Total</b>               | <b>10536</b> | <b>11426</b> | <b>12444</b> |

\*Out of Competition includes British Based, International Runners, Permanent Import & Sales Testing)



ANTI-DOPING

Raceday Total No. Samples Conducted

| Equine        | Pre-Race | Post-Race | Misc | Total |
|---------------|----------|-----------|------|-------|
| Urine         | 53       | 7999      | 19   | 8071  |
| Blood         | 970      | 964       | 22   | 1956  |
| Hair          | 0        | 0         | 0    | 0     |
| Total Samples | 1023     | 8963      | 41   | 10027 |

Out of Competition Total No. Samples Conducted

| Equine        | Sales (AAS) | British Based | Perm. Import | Intl. Runner | GB Bred Foal | Stalls Test | Total |
|---------------|-------------|---------------|--------------|--------------|--------------|-------------|-------|
| Urine         | 0           | 37            | 0            | 0            | 0            | 0           | 37    |
| Blood         | 541         | 1390          | 523          | 18           | 18           | 29          | 2519  |
| Hair          | 0           | 14            | 99           | 18           | 18           | 0           | 149   |
| Total Samples | 541         | 1441          | 622          | 36           | 36           | 29          | 2705  |

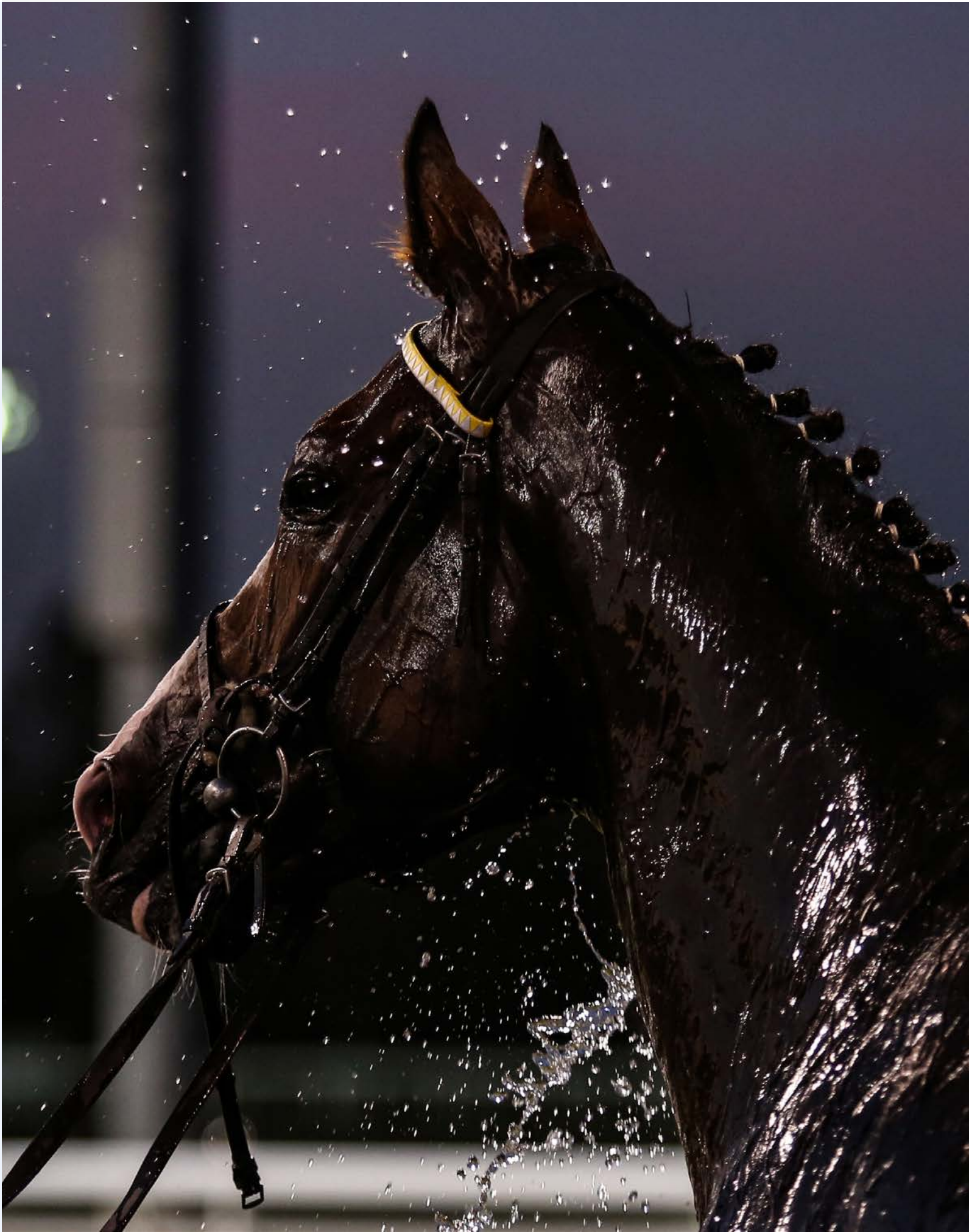
Total No. Adverse Analytical Findings

| Equine                       | 2016  | 2017  | 2018  |
|------------------------------|-------|-------|-------|
| Raceday - Total              | 21    | 16    | 17    |
| Raceday - % Tests            | 0.24% | 0.18% | 0.17% |
| Out of Competition - Total   | 0     | 0     | 0     |
| Out of Competition - % Tests | 0.00% | 0.00% | 0.00% |

\*OOC includes British Based, International Runners, Permanent Import & Sales Testing]

2019 Adverse Analytical Findings by Type

| Equine                       | Total No. | % AAF |
|------------------------------|-----------|-------|
| Androgenic-anabolic steroids | 1         | 0.01% |
| Beta-blocker                 | 2         | 0.02% |
| NSAID                        | 3         | 0.03% |
| Opioids                      | 2         | 0.02% |
| Cobalt                       | 1         | 0.01% |
| Other                        | 8         | 0.08% |
| Total                        | 17        | 0.17% |







## GROWING BRITISH RACING TOGETHER

Britain's imminent exit from the European Union will bring the most significant change to the political and economic landscape in nearly 50 years. In this potentially disruptive context, it is vital that the BHA and its stakeholders provide leadership for the sport. We are already working together to develop the BHA's governance, as well as continuing to assess changes linked to continuing reform of the Levy and the impact of changes in the betting and gambling landscape.

### Brexit

A significant amount of work was carried out under the auspices of the Thoroughbred Brexit Steering Group, with the BHA playing a lead role, alongside the Thoroughbred Breeders' Association and Weatherbys.

The challenges – and opportunities – presented by the UK's planned departure from the European Union fall principally into the areas of horse movement, associated policies around horse health, welfare and disease surveillance, and future immigration policy. Detailed submissions were developed and presented to policy-makers within the UK Government and the European

Commission as appropriate, the latter through the European and Mediterranean Horseracing Federation.

Our industry has enjoyed strong support in particular from the Department for the Environment, Food and Rural Affairs, including on the necessary preparation for a 'no deal' Brexit, and the UK Government committed to the continuation of existing free movement of thoroughbreds coming into the UK from Ireland and France under the established and successful Tripartite Agreement in such a scenario.

### Racing Authority/Levy Board

Considerable resource was devoted to the establishment of the Racing Authority, which was intended to take over the Horserace Betting Levy Board's distribution function as part of stated Government policy and the

next phase of Levy reform following the 2017 legislative change to extend the Levy collection base to offshore remote operators.

Sir Hugh Robertson was appointed as Chair of the Racing Authority in January 2018, and the organisation operated in shadow form throughout the year, with two Directors appointed by the BHA, and wider support provided by BHA Executives. Unfortunately, late in 2018 the Legislative Reform Order as proposed proved unable to satisfy the concerns of the Parliamentary Committees scrutinising the legislation designed to bring in the changes and formalise the Racing Authority's role – not on the policy contained within it but on procedural grounds – and the legislation was discontinued. Work continues with the Department for Digital, Culture, Media & Sport, and the Horserace Betting Levy Board on modernisation of existing structures.

### Gambling Review

The conclusions of the Government's Gambling Review were announced in May 2018, with considerable media coverage of the decision to reduce the maximum stake on Category B2 gaming machines (so called FOBTs) to £2.

The BHA, on behalf of the whole sport, had argued strongly that there was a need for a strengthening of measures to reduce the harm caused by problem gambling but also that there was a special and longstanding relationship between the betting and horseracing industries, with significant revenues in the sport dependent on a sustainable, and socially responsible, betting sector. Whilst a period of transition was committed to, inevitable closures of betting shops will affect British racing's income, predominantly through media rights.

Plans are underway to best minimise this impact, both within the sport itself and through ongoing representations to Government, based on the need to maintain our international competitiveness, and our capacity for further growth in our contribution to the economy and society, particularly in rural areas.

### Racing Futures

A cross-industry project got underway in 2018 to define racing's vision, values and purpose, with a view to identifying the things that best define and unite the sport. The project engaged an external consultancy to facilitate a range of workshops and discussions with racing's stakeholders and consumers. The work is being

further developed in 2019, with a view to producing and engaging the sport in *Racing's Story*, a common narrative that can be used to pitch the thrill and passion of racing to a range of different audiences.

### Racing Administration

Throughout 2018, we have been working on the creation of the racing administration services that, together with our partners at Weatherbys, we provide to the sport. These services are used predominantly by racehorse owners, the sport's participants, and racecourses, and play a central role in governance, regulation, integrity and welfare matters. The vision for this digital transformation is based on four underlying principles:

- To put the customer at the centre of racing administration
- To create a technology platform that responds faster to the needs of customers and the wider sport
- To drive efficiency gains by improving existing processes
- To use racing data in a more intelligent way including the provision of enhanced insight to guide decision-making

An implementation plan will be created during 2019 with a view to delivering these improvements at the earliest opportunity.







## COMPETITIVE AND COMPELLING RACING

The continued success of British racing is partly dependent on the existence of a compelling, innovative and varied racing programme, staged at customer-friendly times, whilst also taking into account the impact on those that service it. The programme must also match the requirements of the horse population, providing opportunities for horses to progress and to fulfil their potential.

### Handicapping

A review of the BHA's handicapping function was completed during 2017 by broadcaster and journalist Lydia Hislop. Under the leadership of Dominic Gardiner-Hill, who succeeded Phil Smith as Head of Handicapping in June 2018, most of the review's recommendations have been implemented. These included:

**Publication of a new Guide to Handicapping** – A revamped 'Guide to Handicapping' sits on a newly designed handicapping section of the BHA website. The guide has been written both with participants and the general public in mind, and aims to be easier to understand, more accessible and to explain any potentially contentious areas of handicapping policy. The guide also sets out the aims of handicapping, which have been re-written as part of the review.

**Independent Appeals Process and Panel** – A new online handicapping appeals process, carried out by an independent external panel of experts, ensuring all appeals are heard fairly and independently, whilst following due process, has been introduced.

**Flat Penalty Structure** – A more nuanced penalty structure for winners based on age is now being employed. As such, penalties for handicap winners aged two and three is 6lb, those aged four to six will be 5lb and those aged seven and above will be 4lb. This approach was developed following detailed data analysis, including the average ratings rise of horses winning handicaps, and was approved by the industry's Racing Group.

**Enhanced data analysis** – One of the recommendations of the original review was to promote a more rigorous, data-driven approach to handicapping practices, with much of this work to be published on the handicapping section of the BHA website as part of the commitment to a more open and transparent approach to handicapping.

**Further recommendations** – Other recommendations that have been implemented include performance figures being published on the BHA website for all races except maiden and novice events. Also, increased diversity has been introduced into the race programme courtesy of the 10-race optional claiming handicap trial, discussed below. The BHA Handicapping Team has undergone an internal restructure to increase accountability.

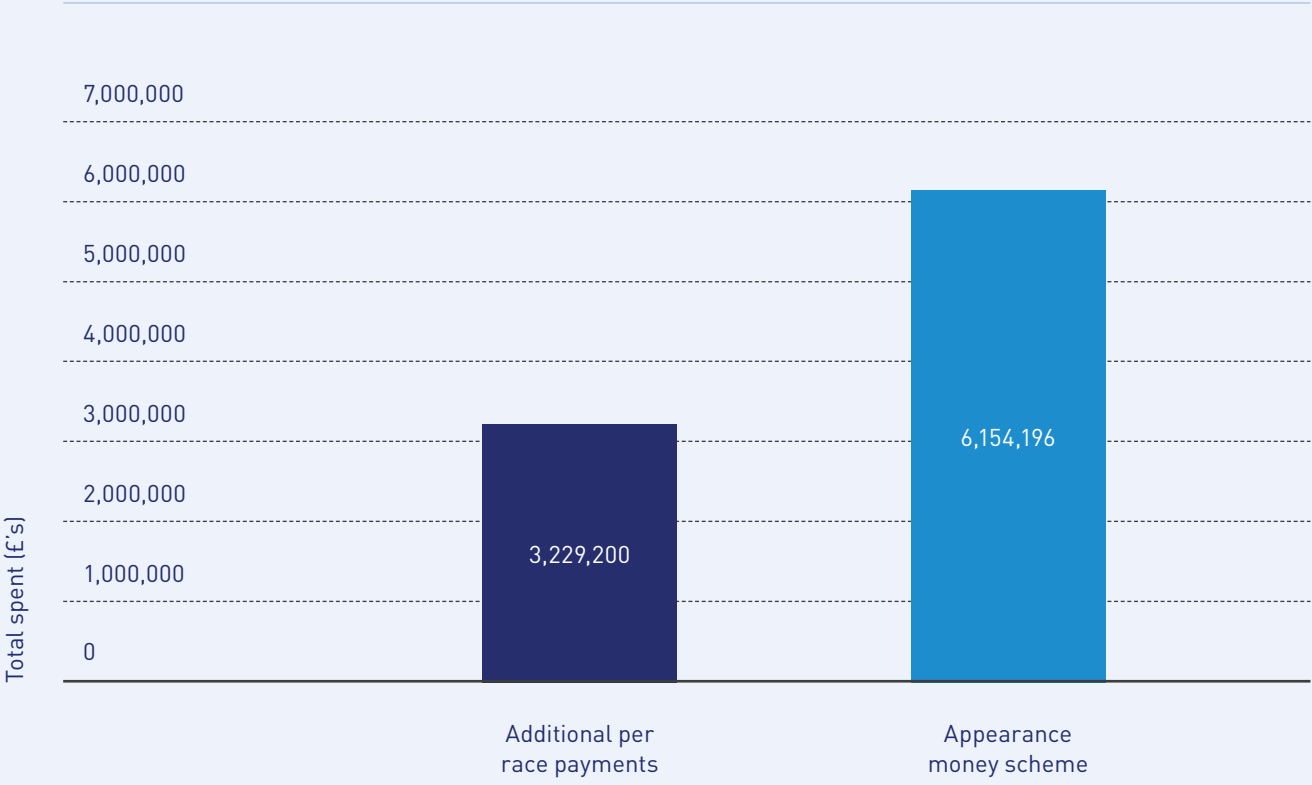


### Supporting lower and middle-tier racing

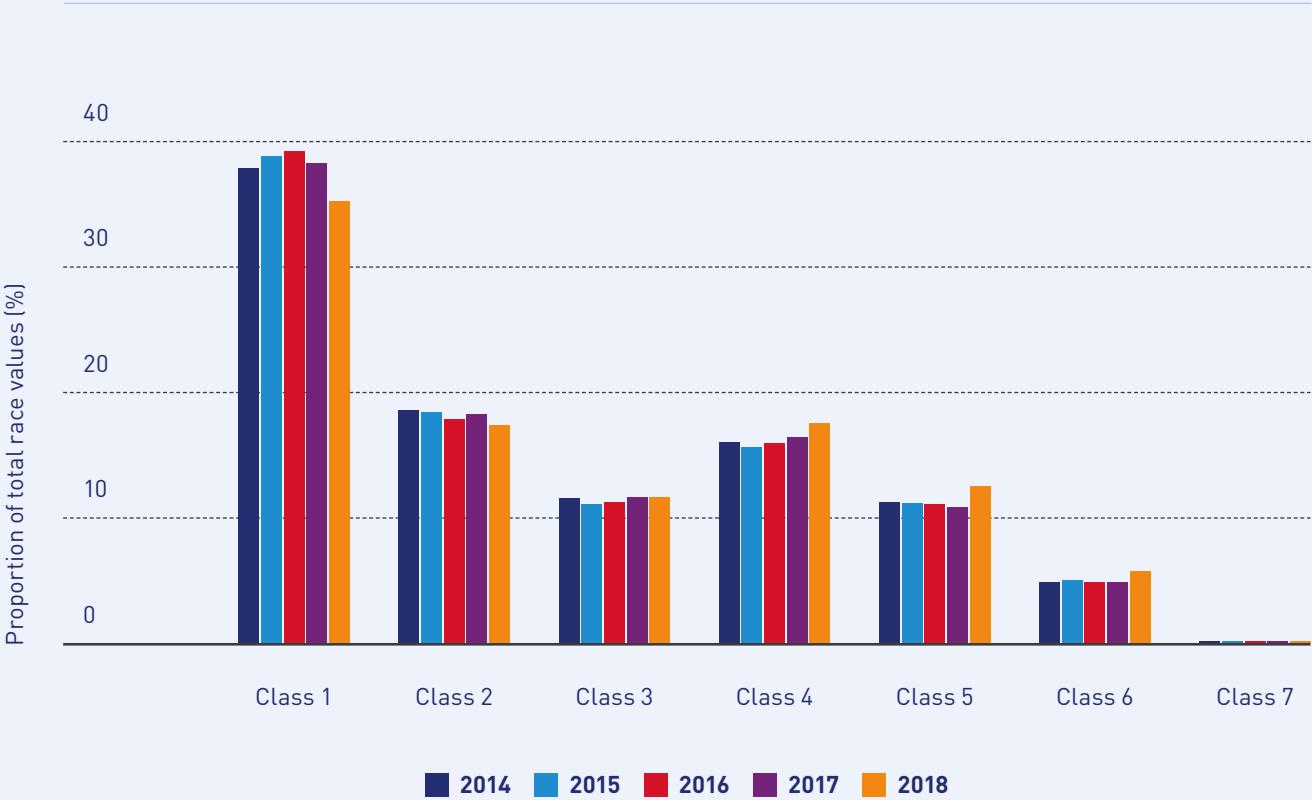
In 2017 the BHA, RCA and Horsemen's Group agreed a funding package for 2018 and beyond, intended to support grass roots racing. This included increased central payments to lower grade races through both prize money and, for the first time, a central appearance money scheme linked to a requirement for racecourses to invest more in this section of the programme. Total prize money has risen since 2011, with the upper levels of racing benefiting most from the rises.



ADDITIONAL FUNDING



PROPORTION OF PRIZE MONEY BY CLASS INCLUDING AMS, BY YEAR



Although changes to FOBT legislation meant that some changes to this scheme were necessary, it continues into 2019 in a similar form and will lead to a similar distribution of prize money.

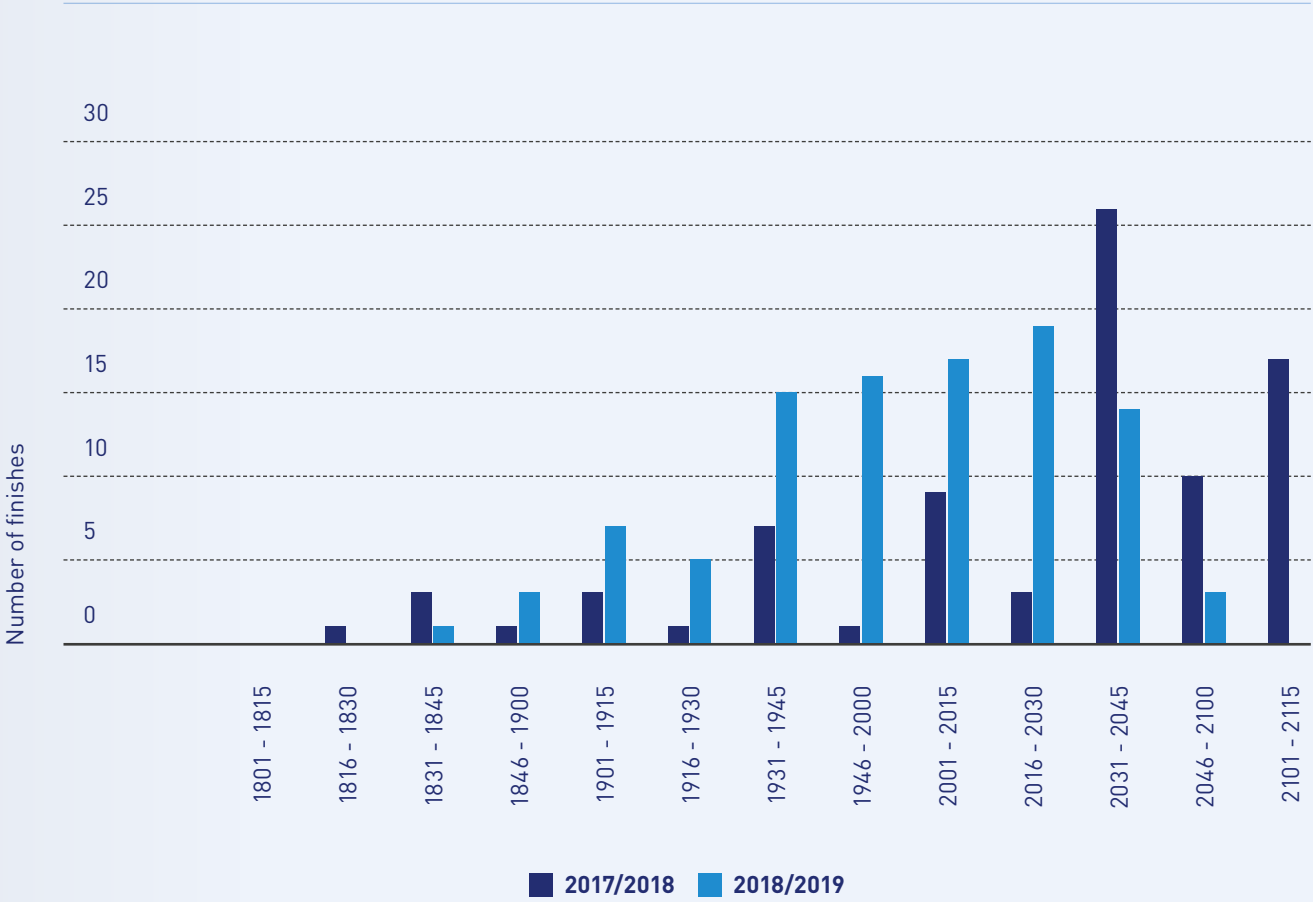
Fixture List

As in previous years, the Fixture List was compiled with the agreed objectives of:

- Supporting betting
- Increasing racecourse attendances
- Improving participant welfare
- Providing compelling content for the media

Given that most progress had been made in other areas in recent years the 2019 Fixture List outcome was always intended to provide the greatest focus on participant welfare where possible. One of the key outcomes in this regard was the introduction of two breaks from flat racing, one in November and one in March. Although the total volume of fixtures was unchanged, the aim was to provide two short windows where flat participants did not have fixtures to service. In addition, changes were made to the timings of all weather races through the winter season which saw fixtures consistently commence shortly after the last afternoon race and run through to no later than 8.30pm. This change enabled the sport to provide an improved outcome to bookmakers and the media, whilst bringing the average last race time at floodlit fixtures forward by around 30 minutes.

TIME OF LAST RACE GROUPED BY 15 MINUTE INTERVALS 2017/18 COMPARED TO 2018/19





### Race Planning

One of the most significant changes to race planning practices this year has been a trial of open entries and declarations. With the previous system preventing connections having visibility of which other horses were being declared for races, it was felt that a more transparent system would be beneficial. This trial initially ran on the flat from December to February and also removed the previous practice of re-opening races at entry stage and re-offering at declaration stage, thereby streamlining the process for making information available to the public. Trainer feedback was positive and the trial was extended and is still ongoing. It has also been applied to jump racing.

As noted above, further innovation saw a new race type appear for the first time in the form of Optional Claiming Handicaps. These relatively valuable handicaps see trainers able to elect to reduce weight carried in exchange for making their horse available to claim and are intended to provide options as an alternative for horses, as well as stimulating trade in a bracket of the population where it may not otherwise exist. Ten trial races were staged and it is the intent to continue with the trial in 2019.

We also made changes to the Northern Lights series which saw the finals move from early December into March, to form part of a newly created Northern Jump feature weekend between Cheltenham and Aintree. This will take place for the first time in March 2020. Other initiatives include an agreement to reduce the commission charged by racecourses on horses sold out of sellers, refinements to the flat Novice programme, 48-hour declarations for all races at Cheltenham and ongoing support of the flat stayers project from the BHA Development fund.

### High value novices' events

2018 saw the introduction of two high value novices' events, supported by the BHA Development Fund, with a view to addressing specific issues identified within the Jump programme.

The first race, designed to support the findings of the BHA's Novices' Steeple Chase review, was aimed at decent staying novice chasers, which had been campaigned in weight-for-age events and perhaps found themselves coming up just short of top class. The £100,000 race was held at Ayr on Scottish National Day and attracted a quality field of 9.

The second race, a £100,000, 2-mile Novices' Handicap Hurdle Final, was designed to attract ex-Flat horses, as well as the traditional NH bred horses, in order to provide some incentive to send ex-Flat horses hurdling. Held at Sandown Park on the last day of the season, the first renewal saw a high-quality field of 15 runners, led home by the favourite, Getaway Trump.

Both races received £50,000 each from the BHA Development Fund and were continued again for 2019.





Continued development of the framework that sees Britain further its position as the home of the best racing in the world requires quality, variety and opportunity for all aspects of the thoroughbred as it progresses, and for the breed on a wider basis.

It remains essential that Britain leads by example, with the aim of achieving greater acceptance amongst racing authorities across the different regions of the globe to uphold the value of Black Type, with a consistent qualitative assessment of Group/Graded and Listed races, and an overall international programme that is fit for purpose. British racing continues to attract horses of the highest calibre to race here and should strive to provide continued incentive for overseas investment.

Stayers

Significant progress continued during 2018 on the industry-wide project to safeguard the future of the staying horse on the Flat. The BHA illustrated its ongoing commitment to protecting and enhancing the programme designed to attract - and encourage the development of - quality horses with an aptitude for stamina.

The improved programme for stayers was complemented by the inaugural offering of a £1m Bonus from Weatherbys Hamilton, available to the horse who could win the Gold Cup at Royal Ascot, followed by the Goodwood Cup and the Lonsdale Cup at York (having already won one of four qualifying races). This feat was considered by many to be highly unlikely to be achieved, given that it had never been done before. However, the extraordinary 2018 performances of Stradivarius (IRE), owned by Bjorn Nielsen, trained by John Gosden and ridden by Frankie Dettori at Royal Ascot and York and by Andrea Atzeni at Glorious Goodwood, saw him

duly crowned the winner of the first £1m Weatherbys Hamilton Stayers' Bonus.

Following the significant financial contribution to the stayers' programme from the BHA's Development Fund for 2018, with funds mainly being utilised to create a progressive programme for the three-year-old stayer, renewed focus shifted to boosting the programme for staying fillies and mares, a goal which was supported by the European Pattern Committee (EPC). The EPC announced a further tranche of enhancements to the Pattern and Listed race programme for stayers in 2018, along with a number of other changes within the Black Type programme.



EUROPEAN PATTERN COMMITTEE

The following British races were the subject of approved changes, announced by the EPC and the BHA:

| Name              | Venue           | Date      | Distance & Age   | Previous status | New status                |
|-------------------|-----------------|-----------|------------------|-----------------|---------------------------|
| Blue Riband Trial | Epsom Downs     | 25 April  | 10f 3yo          | Class 2         | Listed                    |
| Huxley            | Chester         | 11 May    | 10f 4yo+         | Group 3         | Group 2                   |
| Brontë Cup        | York            | 26 May    | 14f 4yo+ fillies | New race        | Group 3                   |
| Queen Charlotte   | Chelmsford City | 20 June   | 7f 4yo+ fillies  | New race        | Listed                    |
| Hoppings          | Newcastle       | 29 June   | 10f 3yo+ fillies | Listed          | Group 3                   |
| Silver Cup        | York            | 14 July   | 14f 3yo+         | Listed          | Group 3 and changed to 4+ |
| Lillie Langtry    | Goodwood        | 2 August  | 14f 3yo+ fillies | Group 3         | Group 2                   |
| March             | Goodwood        | 25 August | 14f 3yo          | Listed          | Group 3                   |

Jump Pattern Upgrades

In October, the Jump Pattern Committee announced a number of upgrades to the British Jump Pattern and Listed race programme for the 2018/19 season. The principal changes related to the ongoing project to develop the mares' Black Type programme, and thereby the population of Jumping mares. This remains a long-term BHA project, with the aim being to deliver graduated growth in the programme in order to provide sufficient incentive to enact behavioural change in breeders, buyers, owners, trainers and racecourses, such that more mares are put into training and given the chance to develop to the best of their ability on the racecourse, before perhaps becoming broodmares.

Upgraded races:

| Name  | Venue      | Date        | Distance & Age   | Previous status | New status |
|---|------------|-------------|------------------|-----------------|------------|
| Fillies' Juvenile Hurdle Race                         | Doncaster  | 25 January  | 2m½f 4yo fillies | New race        | Listed     |
| Mares' Steeple Chase                                  | Exeter     | 10 February | 3m 5yo+ mares    | New race        | Listed     |
| Junior Jumpers Fillies' Juvenile Handicap Hurdle Race | Cheltenham | 18 April    | 2m½f 4yo fillies | Class 2         | Grade 3    |

**Jump Pattern Committee:** Adrian Grazebrook (Chairman), Ed Arkell, Richard Aston, Anthony Bromley, David Cleary, Sam Hoskins, Philip Hobbs, Emma Lavelle, Steve Mellish, Paul Nicholls, Richard Norris, Ruth Quinn

**Flat Pattern Committee:** Adrian Grazebrook (Chairman), Andrew Balding, Andy Clifton, Simon Crisford, Philip Freedman, William Haggas, Lydia Hislop, Ruth Quinn, Julian Richmond-Watson, Amanda Skiffington, Nick Smith, Nicholas Wrigley



# LOOKING AFTER OUR PEOPLE

The sport’s duty of care to its employees ranges from safeguarding and welfare provisions, to training, education and career pathways at every level. We are dependent on the passion and dedication of the people who care for our horses. We are redoubling our efforts to recruit, train and retain a workforce that drives the growth of British racing’s relevance, revenues and reputation.

**Racing recruitment**

The careersinracing branded marketing campaign continues to use a broad range of communication channels. Digital marketing is an area of increasing importance and growth for targeting the youth audience, in particular for student recruitment to the training providers. A comprehensive research project took place to evaluate and understand the digital experience of potential student prospects. Learnings from this will shape future development projects and digital content.

Careersinracing.com promoted via branded and paid-for digital marketing campaigns continued to see growth, with a 20% year on year increase in website user sessions, and an increase of 9% in job seekers registered on the job board. The range of roles on offer in racing is well articulated through the careersinracing job board, which continues to be available for free to all racing employers.

Assets of note created in 2018 include a Welcome Video in collaboration with the NTF, a fully interactive Career Map - mapping over 40 roles, Work Experience Toolkits and “How to” Video guides. A broad ranging careers video showcasing the multiple roles within ‘Team Racing’ - has been viewed over 172K times and continues to direct audiences to the multitude of available opportunities.

Events and activities included four large recruitment events, 10 inner city job fairs, nine racecourse events and branded activity alongside the Pony Racing Authority, National Careers Week, and Racing to School’s Riders Programme. These were effective in driving enquiries, as measured by growth in the prospect database which now stands at 5,500.

During 2018 there were a total of 1,517 new joiners to the stable staff register. Increase in new joiners over the last five years has grown 38%.



CAREERSINRACING

Digital Marketing

1.9m total impressions via social media advertising.

79,637 visitors to the Apprenticeship page on the website.

290,115 promotional video views through YouTube.

Website and Job Board

A total of 403,368 visitors

Number of job seekers registered for the job board increased by 9% during 2018. Prospect database grew to 5.5k

Over 1,000 racing jobs processed and promoted via social media

Campaign highlights

Continued to develop our digital offer and content in 2018, including the creation of an interactive careers map

Key contributor to National Careers Week

Recruited and ran an Entry into Employment Programme for 12 Equine College students, all of whom were subsequently employed in the industry

Events and Sponsorship

Sponsored activities in partnership with the Pony Racing Authority, British Grooms Association, Betfair Racing Staff Week, Pony Club Championships, Badminton Horse Trials and Shetland Pony Grand National.

25 events, including: The Skills Show, The Diversity Show and British Champions Day





#### Public Perspectives Research

Some of the key messages to come out of the research (March 2019) included:

- Recruitment, skills and retention issues are important to, and continue impacting on, the industry. This suggests the continued need for strategy, resources and action to address the issues identified, as well as monitoring, evaluation and research to inform and assess change.
- There have been notable increases in yards providing training to their staff and there are improvements in staff perceptions around training, development and career progression opportunities.
- These changes have yet to filter down into improvements in trainers' perceptions of skills gaps and retention amongst their existing workforce and staff's job satisfaction and intention to remain working in the industry.
- The messages from research are that work riders, and grooms/riders and yard staff are the hardest positions to fill.

#### Training

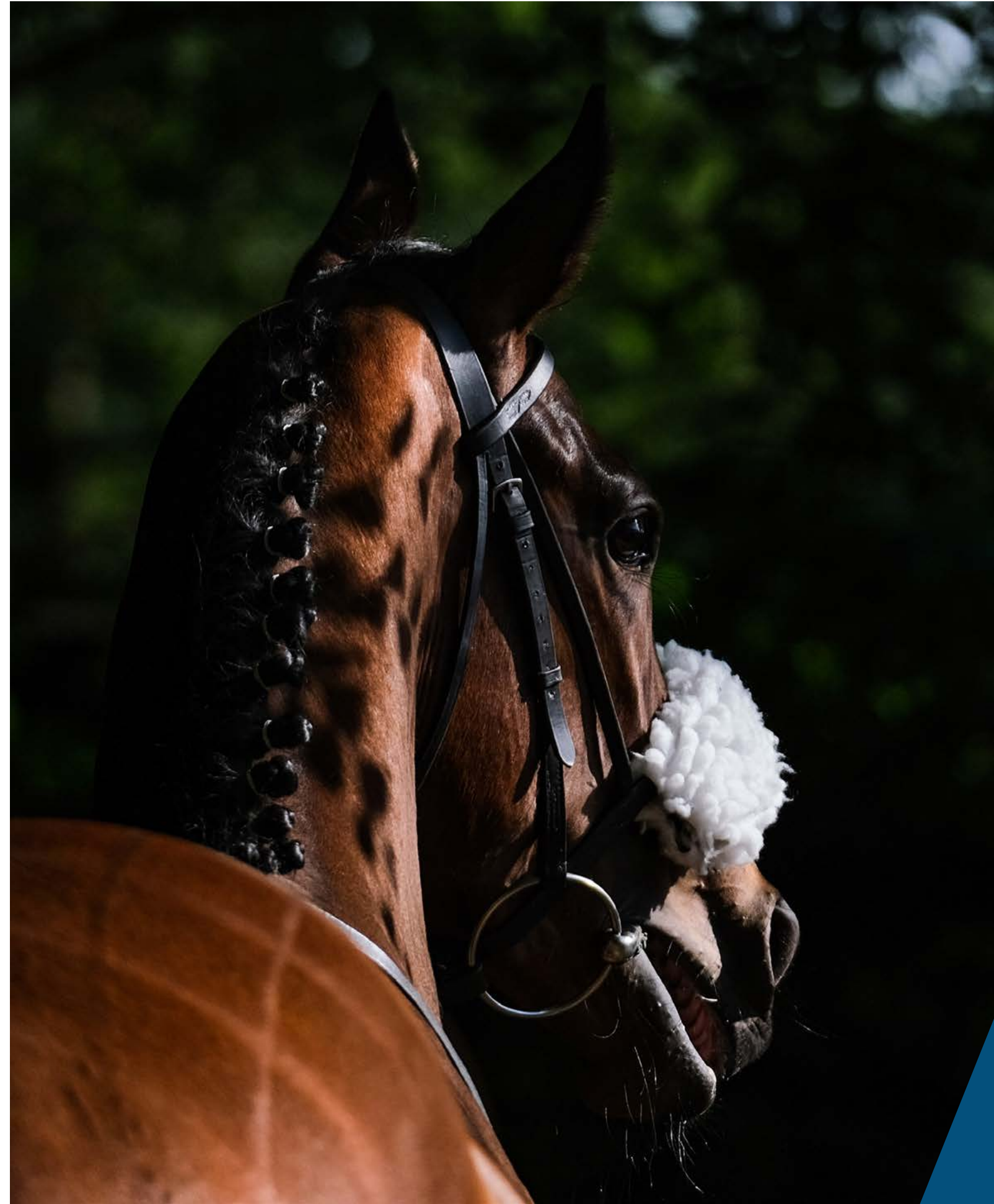
Across the industry, 35,000 training days were delivered in 2018. The current plan aims to provide 50,000 training days per year.

There are currently 35 recognised learning programmes, with an aim to increase the number to 50 in future years. There are currently 22 bespoke industry qualifications.

The new Regional Staff Development Programme will reach 2,400 racing staff over the next three years. Training is well underway to produce 119 rider coaches from racing yards to improve the skills of over 1,000 riders.

The Jockey Coaching programme goes from strength to strength. 23 coaches with a combined total of over 99,000 rides provide coaching and support to all of the claiming jockeys. The goal is to extend this service to full professional jockeys as well.

The BHA is currently working with partners to develop and host an industry-wide comprehensive online Learning Resource Centre.







### Safeguarding

A new industry-wide Safeguarding Policy, Regulations and Code of Conduct was published in 2018, and came formally into effect on 1 January 2019. Its objective is to enable everyone in racing to manage any safeguarding issues with confidence, efficiency and appropriate support. The Policy covers areas such as abuse, inappropriate relationships and safer recruitment practices, as well as introducing new processes for the reporting of safeguarding concerns. Everyone working in racing will be expected to adhere to the Policy and Code of Conduct and the Policy will also be incorporated into formal licensing requirements and training courses from 2019.

To support the implementation of the Safeguarding Policy and Regulations, an online accredited learning programme has been launched to provide an Introduction to Safeguarding In The Horseracing Industry. All licence holders will be required to complete it as part of the 2019 licence renewal process. So far over 100 participants have completed the online course which has also been integrated with existing educational programmes for stable staff, jockeys and jockey coaches. All new joiners to the sport coming through the Racing Schools, claiming jockeys and jockey coaches have received safeguarding education in 2018 and this will be expanded upon in 2019.

The BHA Safeguarding Team has been bolstered by the recruitment of a Safeguarding Officer who will

work closely with all key stakeholders, with the aim of embedding safeguarding as a function within the BHA, working closely with Integrity and Regulation Departments in a preventative approach that supports positive cultural development across the sport.

As part of the Racecourse Licensing Review Process, a new Safeguarding General Instruction has been created along with accompanying guidance which sets out the safeguarding requirements for Racecourses due to be introduced as part of the 2020 licensing cycle.

### Diversity

Racing's commitment to the improvement of Diversity was strengthened in October 2018, with the appointment of Rose Grissell to the new role of Head of Diversity and Inclusion for British Racing. The role will work with the Diversity in Racing Steering Group to co-ordinate the recommendations of the Diversity & Inclusion Action Plan, published in July, whilst also working with the whole of the industry to build understanding and improvement.

The Action Plan identified eight core areas, which can and should be addressed to promote greater inclusion. Central to its recommendations is the need to reach culturally and ethnically diverse audiences through the sport's marketing and promotion, and ensuring the next generation of racing fans has the opportunity to interact with horses, particularly in urban environments.

### Rider safety

A number of initiatives to improve rider safety were announced during 2018.

From 1 October 2018, the minimum acceptable standard for a safety vest (body protector) for race riding for jockeys of all disciplines was increased. All jockeys must now wear the new "Level 2" body protectors, rather than the current "Level 1" model. The Level 2 vest, which was introduced following consultation, offers vastly superior protection against direct blows, such as kicks. The weight allowance for safety equipment was raised to 3lbs to reflect the heavier weight of the new vests.

Meanwhile, the BHA's digital archive of previous race footage, created in 2018, is assisting multiple research projects aimed at improving rider safety. Projects based at the University of Sydney, University College Dublin and University of Bath are all using the digital race archive to map and digitally reconstruct how jockeys fall. It is hoped that the various projects will improve understanding of the impact of falls on concussion and spinal injury, which may in turn influence future equipment design, and jockey training.



JESSICA MCLERNON EMPLOYEE OF THE YEAR

### Godolphin Stud and Stable Staff Awards

The BHA hosted the 14th annual awards to celebrate the very best of the industry's stud and stable staff. The awards are generously sponsored by Godolphin, in association with the Racing Post. The 2018 awards were hosted by ITV's Ed Chamberlin, alongside guest presenter Michael Owen, who presented the 2018 Employee of the Year Award to Jessica McLernon, Assistant Trainer at Richard Fahey's Musley Bank Stables.

### The winners:

#### EMPLOYEE OF THE YEAR

Jessica McLernon

#### LEADERSHIP AWARD

Jessica McLernon (Richard Fahey)

#### RIDER/GROOM AWARD

Petra Sebestikova (Luca Cumani)

#### STUD STAFF AWARD

Sarah Taylor (Mickley Stud)

#### DEDICATION TO RACING AWARD

William Reddy (Eve Johnson Houghton)

#### DAVID NICHOLSON NEWCOMER AWARD

Adrian Stewart (David Loughnane)

#### RORY MACDONALD COMMUNITY AWARD

John & Jackie Porter (ex. Injured Jockeys' Fund)



# DIRECTORS' REPORT AND GOVERNANCE STATEMENT

Sports governance remained a major topic in 2018, with the BHA's own governance a significant area of discussion.

Governance in sport remained under scrutiny in 2018. The BHA has continued its commitment to achieving compliance with the highest level (tier 3) of UK Sport's Code for Sports Governance, notwithstanding that the BHA is not publicly funded. This ambition reflects the BHA's unique set of regulatory responsibilities; including maximising the welfare of the sport's horses and people, keeping racing as safe as possible for horses and jockeys, and ensuring the sport is fair and free from corruption.

In January 2018, Slaughter & May presented to the Board an independent review of the BHA's corporate governance. The Board and the BHA's members held constructive discussions regarding the recommendations throughout 2018. A number of

the recommendations have been implemented; others the BHA Board has decided not to implement at this time; and some remain under consideration.

Following from the Slaughter & May review, the BHA's members also carried out a review of the BHA's role and remit, and of the operation of the Members' Agreement, during 2018, which is ongoing. The objective of the members' review is to increase industry involvement in key decisions which affect the sport, while retaining the independence of the BHA Board on regulatory and integrity matters.

**IT IS OUR RESPONSIBILITY  
TO GOVERN THE SPORT  
AND WE AIM TO DO SO IN  
AN INCLUSIVE MANNER**





The composition of the BHA Board was amended in early 2019 with the aim of strengthening collaboration with the sport's leadership and the racing industry, whilst also ensuring sufficient independence on regulatory matters. The new Board is comprised of the Chairman and Chief Executive, four independent directors and four directors nominated by the RCA and the Horsemen.

The only changes to the Board in 2018 were the departures of the Chairman Steve Harman, who resigned in November 2018, and Julie Harrington, who left the Board on 31 August 2018, on completion of her term of office.<sup>1</sup>

The Board met seven times in 2018 and the attendance of each Board member is recorded below.

|   | Meeting Attendance |
|---|--------------------|
| Steve Harman (Chairman) resigned from November 2018 | 6/7                |
| Atholl Duncan (interim Chairman from November 2018) | 7/7                |
| Laura Whyte   | 7/7                |
| Nöel Harwerth                                       | 7/7                |
| Vivien Currie                                       | 7/7                |
| Julie Harrington                                    | 4/7                |
| Andrew Merriam                                      | 7/7                |
| Joe Saumarez Smith                                  | 7/7                |
| Sir Paul Stephenson                                 | 6/7                |
| Rupert Arnold                                       | 7/7                |
| Nick Rust   | 6/7                |

Board activity in 2018 was focussed across a number of areas of strategic importance for the sport:

- Ongoing work on matters relating to the Horserace Betting Levy, following the implementation of new legislation in 2017
- Oversight of the Cheltenham Festival Review aimed at improving safety and welfare at Cheltenham and all Jump racecourses
- Oversight of the work to introduce the BHA's first safeguarding policy and regulations
- Oversight of the project to ensure compliance with GDPR
- Consultation on and launch of the new model for raceday regulation
- Approval for increased testing on racedays in relation to group and graded races
- Oversight of the ongoing changes to the race programme
- Oversight of the rewrite of the Rules of Racing (to be launched in 2019)
- Commencement of a review into the buying and selling of horses led independently of the BHA
- Consideration of enhancements for overall racing administration (continuing into 2019)

<sup>1</sup>Ms Harrington re-joined the Board on 12 November 2018, to assist the Board in remaining constituted in accordance with the Articles of Association when Atholl Duncan (formerly an independent non-executive director) became interim Chairman. Ms Harrington resigned on 7 March 2019.





## BOARD MEMBERS

**Nick Rust,****Chief Executive**

Appointed January 2015

2018 Meetings attended: 6/7

**Experience:** Over 27 years of experience in the betting and gaming industry. Most recently as Managing Director, Retail, for Ladbrokes Plc but also in previous senior roles at BskyB including as Managing Director of SkyBet, and at Gala Coral. He has extensive experience in industry and corporate affairs, having managed key relationships with Government and regulators. Oversaw establishment of British racing's tripartite structure through the Members' Agreement, an industry-wide strategy for growth and replacement of the Horserace Betting Levy and has excellent relationships across British racing.

**Other roles:** Non-Executive Director of York Theatre Royal

**Committee membership:** Executive Committee (Chairman), Rules Committee

**Horse ownership interests:** Horses in training with Micky Hammond, Hugo Palmer and Charlie Hills

**Atholl Duncan,****Independent Non-Executive Director  
Interim Chair, Nov 2018 – Jun 2019**

Appointed December 2014;

Term expires December 2020

2018 Meetings attended: 7/7

**Experience:** An experienced Non-Executive Director in sports organisations, spent 25 years with the BBC, as a journalist and TV news and sports producer, before becoming Head of News and Current Affairs for the BBC in Scotland. Four years as Director of Corporate Affairs with Scottish Water. Atholl sits on numerous advisory boards, has worked with the Government on various business issues and has good knowledge of sports administration and governance, and is a Member of the Caledonian Racing Society.

**Other roles:** Executive Director of Institute of Chartered Accountants of Scotland

**Committee membership:** Audit Committee, Nominations Committee

**Horse ownership interests:** Horses in training with Lucinda Russell and Richard Hughes

**Andrew Merriam,****Senior Independent Director and  
Independent Regulatory Director**

Appointed September 2012;

Term expires December 2020

2018 Meetings attended: 7/7

**Experience:** Qualified Chartered Accountant with more than 30 years' experience in financial services and banking and 10 years running the Bradfords Group, the leading privately-owned supplier of building materials in the UK. Andrew's other racing interests include being a Member of The Jockey Club and Chairman of the Point-to-Point Authority. He is also a Trustee of Racing to School, Retraining of Racehorses and the British Racing School.

**Other roles:** Chairman of Berners-Allsopp Estate Management Co Ltd and Deputy Lieutenant of the County of Suffolk

**Committee membership:** Audit Committee (Chairman), Remuneration Committee, Rules Committee (Chairman), Stewarding Committee.

**Horse ownership interests:** Horses in training with Warren Greatrex

**Sir Paul Stephenson,****Independent Regulatory Director**

Appointed July 2015;

Term expires June 2021

2018 Meetings attended: 6/7

**Experience:** A highly distinguished career as a police officer, holding senior command positions in Merseyside, Lancashire and London. In his roles with the Metropolitan Police Service – where as Commissioner he was the most senior police officer in the UK – he advised governments on issues ranging from counter terrorism to serious organised crime and national police improvements, with a focus on modern, transparent and collaborative policing.

**Other roles:** Trustee of Crimestoppers UK and Director of Sir Paul Stephenson Ltd

**Committee membership:** Remuneration Committee

**Horse ownership interests:** None

**Julie Harrington,****Independent Non-Executive Director**

Appointed December 2014;

Term expired March 2019

2018 Meetings attended: 4/7

**Experience:** Considerable knowledge and experience in horseracing as a result of her eight-year career with Northern Racing, including roles as Group Operations Director and Managing Director of Uttoxeter racecourse. Julie was also Regional Marketing Director at Whitbread Inns, Retail Sector Director at British Airways, Managing Director of St George's Park, and was appointed Chief Executive of British Cycling in 2016.

**Other roles:** Chief Executive of British Cycling

**Committee membership:** None

**Horse ownership interests:** None

**Joe Saumarez Smith,****Independent Non-Executive Director**

Appointed December 2014;

Term expires December 2020

2018 Meetings attended: 7/7

**Experience:** Joe has advised and worked closely with lotteries, governments, investment banks and operating companies on strategy, operational restructuring, finance and merger and acquisition. Co-founded Bede Gaming Ltd, a provider of technology to the online casino and bingo industries, and one of the fastest growing companies in the north-east. Joe is a shareholder in Star Bloodstock Ltd, Total Performance Data Ltd, Anglo Australian Racing and Wagon Wheel 14 Betting Fund.

**Other roles:** Chairman of Bede Gaming and Chief Executive of Sports Gaming Ltd. A Director Irish Online Bingo Lottery and Scratchcards Ltd. Shareholdings in Bede Gaming (Holdings) Ltd, Helix Technologies Ltd and eWater Pay Ltd, Crowd Connected Ltd, Flexyfoot Ltd, Talent Pool Ltd, Online Domain Services Ltd and The Games Company Ltd

**Committee membership:** Remuneration Committee, Audit Committee

**Horse ownership interests:** Horses in training with Ed Dunlop, Ed Walker, Martin Keighley and Ilka Gansera-Leveque

**Noël Harwerth,****Independent Non-Executive Director**

Appointed December 2014;

Term expires July 2019

2017 Meetings attended: 7/7

**Experience:** A qualified solicitor, previous roles include Chief Operating Officer of Citibank International and Chief tax Officer of Citigroup, Dun & Bradstreet Corporation and Kennecott Cooper Corporation.

**Other roles:** Chair of the UK Export Finance Board and a Non-Executive member of the Department for International Trade Board. A Non-Executive Director of Standard Life, the London Metal Exchange, CHAPS Co and Sirius Minerals

**Committee membership:** None

**Horse ownership interests:** Horses in training with Richard Hannon and Ralph Beckett

**Laura Whyte,****Independent Non-Executive Director**

Appointed December 2014;

Term expires December 2020

2018 Meetings attended: 7/7

**Experience:** Part of the John Lewis Management Board for 10 years, most recently in the role of Human Resources Director. Other roles at John Lewis included Divisional Registrar; a board role aimed at ensuring employee views were appropriately supported and reflected. Laura also worked with the British Equestrian Federation as a Non-Executive Director and Chair of their Remuneration Committee from 2013 to 2016.

**Other roles:** Non-Executive Director of the Defence People and Training Board within the Ministry of Defence, Non-Executive Director of Capital and Regional Plc. Executive Trustee of Women in Retail and a Director of Carrington Whyte Consulting Ltd. Investment portfolio includes shares in 32red and William Hill.

**Committee membership:** Remuneration Committee (Chairman)

**Horse ownership interests:** None



BOARD MEMBERS



**Rupert Arnold,**  
**Member Nominated Director**  
 Appointed January 2015;  
 Term expires October 2019  
 2018 Meetings attended: 7/7

**Experience:** Rupert is Chief Executive of the National Trainers Federation, the representative body for licensed racehorse trainers in Great Britain. He is a director of the Horsemen's Group and Racing to School. Earlier in his career, after employment as assistant trainer, Rupert held a trainer's licence for six years,. Also a Trustee of the National Trainers Federation Charitable Trust and the Racehorse Trainers Benevolent Fund  
**Other roles:** Director and Trustee of The Hunslet Club (Leeds)  
**Committee membership:** Members' Committee  
**Horse ownership interests:** None



**Vivien Currie,**  
**Member Nominated Director**  
 Appointed January 2016;  
 Term expired December 2018  
 2018 Meetings attended: 7/7

**Experience:** Vivien is Chief Executive of Hamilton Park racecourse and Vice Chairman of the Racecourse Association. A Qualified Chartered Accountant with Ernst & Young, working in London, Australia and Glasgow, before joining telecoms business Damovo where as Director of Strategy she was responsible for the integration of the group's 18 countries' sales forces before becoming head of Global Sales and Solutions. Previously also part-owner and Chief Executive of Livingston Football Club, having bought the club and taken it out of administration.  
**Other roles:** Member of the Development Board of the Marie Curie Hospice (Glasgow)  
**Committee membership:** Audit Committee  
**Horse ownership interests:** None

\*All Directors were required to provide a list of betting operators with which accounts were held. As of 2019, Directors are not permitted to have these accounts. All Directors' interests listed are correct for 2018 and may have changed in 2019.



**Steve Harman,**  
**Chairman (to Nov 2018)**  
 Appointed July 2013;  
 Term expired November 2018  
 2018 Meetings attended: 6/7

**Experience:** From 1980 onwards, Steve worked for Royal Dutch Shell in positions across Europe, Asia and the Americas. His roles included CEO of Shell Marine, CEO of Pennzoil and Vice President of Royal Dutch Shell. He has extensive experience of dealing with multiple stakeholders and government organisations, and has sat on various corporate boards while holding a variety of Executive and Non-Executive positions in the UK, America and Asia.  
**Other roles:** A Director and Trustee of Help for Heroes. Board member Durham University and Chairman of Ustinov College Council. Shareholdings in St George's Recruitment and VIP Escapes. A supporter and mentor to a range of entrepreneurial start-ups.  
**Committee membership:** Nominations Committee (Chairman), Members' Committee (Chairman)  
**Horse ownership interests:** Horses in training with Philip Hobbs, David Pipe, Charlie Longsdon, Richard Fahey, Andrew Balding and Martin Keighley

ADDED IN 2019



**Annamarie Phelps,**  
**Chair**  
 (from June 2019)



**Maggie Carver,**  
**Member**  
 Nominated Director  
 (from March 2019)



**David Armstrong,**  
**Member**  
 Nominated Director  
 (from February 2019)



**Nicholas Cooper,**  
**Member**  
 Nominated Director  
 (from April 2019)





GOVERNANCE COMMITTEES

The Board has three principal committees relating to governance.

Audit and Risk Committee

The Audit and Risk Committee has four members, two independent Board directors (of which one is chairman) and two nominated members from the Racecourses (also a Board member) and Horsemen. The Audit Committee meets twice a year, once pre-audit in November and once post-audit in April. The external auditors and relevant BHA staff also attend both meetings. The Committee’s main responsibilities include monitoring the integrity of the financial statements of the Company; reviewing the external auditor’s assessment of internal financial controls and risk management systems; reviewing the adequacy and security of the Company’s arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting; overseeing the relationship with the external auditor; reviewing and approving the external audit plan and the level of non-audit fees incurred; and overseeing the risk register.

In December 2018, the Committee considered and implemented a number of recommendations of the Slaughter & May review relating to the remit and operation of the Committee, including expanding its function so that it takes primary responsibility for risk monitoring, subject to oversight by the Board. The Committee also, in line with good governance requirements, tendered the group audits and appointed BDO LLP as new auditors for the 2018 year end.

|  | Meeting Attendance |
|--|--------------------|
| Andrew Merriam (Chairman)              | 2/2                |
| Atholl Duncan (resigned November 2018) | 1/1                |
| Vivien Currie                          | 2/2                |
| Philip Freedman                        | 1/2                |
| Joe Saumarez Smith                     | 1/1                |

Remuneration Committee

The Remuneration Committee has four members, who are all independent Board directors. The role of the Remuneration Committee is to determine the framework and policy on terms of engagement (including remuneration) of the directors and senior management of the Company, and the specific remuneration of each Executive Director and other senior executives (including entitlements under pension schemes) and any compensation payments. Fees payable to NEDs and all Board members are determined by the Board within the policy established by the Remuneration Committee on the recommendation of the Chairman and Chief Executive.

|                        | Meeting Attendance |
|------------------------|--------------------|
| Laura Whyte (Chairman) | 3/3                |
| Andrew Merriam         | 2/3                |
| Joe Saumarez Smith     | 3/3                |
| Sir Paul Stephenson    | 3/3                |

Nominations Committee

The Nominations Committee has four members, two independent Board directors (of which one is Chairman) and two nominated members from the Racecourses and Horsemen. The role of the Nominations Committee is to make recommendations to the Board on suitable candidates for appointment to hold office as Chairman, Chief Executive, Independent NEDs and Independent Regulatory NEDs ensuring an appropriate balance of expertise and ability. In addition, it is responsible for reviewing the succession plans for the Chairman, Chief Executive, Independent NEDS and Independent Regulatory NEDs.

In 2018 when the Nominations Committee met to discuss the appointment of a new BHA Chair, potentially conflicted members of the Committee stood down and were replaced by other independent non-executive directors.

|                 | Meeting Attendance |
|-----------------|--------------------|
| Steve Harman    | 1/2                |
| Maggie Carver   | 2/2                |
| Nicholas Cooper | 2/2                |
| Atholl Duncan   | 1/2                |
| Laura Whyte     | 1/2                |
| Andrew Merriam  | 1/2                |

Other relevant committees

Members’ Committee

The Members’ Committee is a tripartite industry committee responsible for making high-level strategic decisions on behalf of the sport. It meets at least three times a year and reports to the BHA Board.

**Voting Members:** Steve Harman, Chair (BHA), Julian Richmond-Watson (TBA), Maggie Carver (RCA), Nicholas Cooper C.B.E. (ROA), Rupert Arnold (NTF/Licensed Personnel)

**Non-Voting Members:** David Thorpe (RCA), Nick Rust (BHA), Roger Weatherby (RCA)

**Invited Observers:** Charles Barnett (RCA), Jonjo Sanderson (RCA), Nigel Payne (PJA), Philip Freedman (Horsemen’s Group), Tony Langham (Great British Racing)

Executive Committee

The Executive Committee is a tripartite industry committee responsible for taking executive decisions and implementing the strategy set by the Members’ Committee. It meets eight times a year and reports to the Members’ Committee. Two meetings each year have full representation from industry chief executives.

**Executive Representatives:** Nick Rust, Chair (BHA), Charlie Liverton (Horsemen’s Group) and David Armstrong (RCA)  
**Non-Voting Attendee:** Rod Street (Great British Racing).

## ORGANISATIONAL RISKS

The Company maintains a risk register which is reviewed regularly by both the Audit and Risk Committee and the Board. The register includes BHA operational risks and also wider industry risks in areas where BHA has leadership responsibilities and which would impact on racecourses, horsemen and the sport, should they materialise.

The register was reviewed in December 2018. Key risks include:

| Risk identified   | Further details   |
|---|---|
| Regulatory change in UK betting market impacting Racing's / industry income | Government's Review of Gaming Machines has led to reduced maximum stakes being introduced from April 2019. Racing is keen to support a socially responsible betting industry with racing as a core product. We continue to discuss with other elements of the industry the impact these changes will have on racecourse funding and levy and proactively take steps to ensure racing continues to thrive both financially and in a socially responsible manner.                                   |
| Negative public attitudes towards racing on welfare grounds                 | We are aware of the changing social attitudes towards certain areas that exist within racing and are proactively taking steps to ensure we lead on this debate and change where appropriate. To help focus on this even more, we have created a Horse Welfare Board which will look at all aspects of a horse's life, including pre and post racing. We will also continue to proactively review areas of the sport where risks are evident.  |
| Significant outbreak of equine disease                                      | An outbreak of equine disease that affects animal movement causing major disruption to the sport. This risk became a reality in early 2019 when a new strain of Equine Influenza stopped racing for 6 days. The procedures set up and decisive action with support from horsemen and veterinary practitioners allowed a swift and robust response to alleviate this threat. The sport's continued funding for equine disease research and management is essential and is funded through the HBLB. |

## REMUNERATION REPORT

Remuneration for Executive and Non-Executive Directors is determined by the Remuneration Committee.



## EXECUTIVE DIRECTORS

Executive Director pay is a combination of fixed basic salary, allowances and performance-driven remuneration based upon operational delivery and adherence with financial targets.

| Element and link to performance  | Summary of current policy   | Changes ahead in 2019 |
|--|---|-----------------------|
| <b>Base salary</b> is set at a level that aims to attract and retain high performing executive directors | Salaries are reviewed annually, taking into account performance or changes in job roles. This is in line with the policy for all employees.       | None                  |
| <b>Allowances</b> are allocated for specific purposes linked to each role                                | Car allowances are payable to all executive directors. Accommodation and travel allowances are payable under specific circumstances.              | None                  |
| <b>Pension and benefits</b> are part of a competitive total remuneration package                         | The Company operates a defined contribution pension scheme for all employees on a 1:2 matching basis up to a maximum company contribution of 10%. | None                  |

There were 10 employees (9 at year end) categorised as Executive Directors with two appointments and one resignation throughout 2018. Their total remuneration (including pension contributions and Employers NI) amounted to £2.027m a reduction of £73,000 compared to 2017.

During 2018 the business conducted a review of the Executive Director annual bonus. A consultation process resulted in the removal of the contractual bonus entitlement.

## NON-EXECUTIVE DIRECTORS

The table summarises the main elements of remuneration for Non-Executive Directors

| Element and link to performance                                | Summary of current policy   |
|--|---|
| <b>Directors Fees</b> are set according to the role undertaken | Reviewed annually, fees for 2017 were as below:<br>Chairman – £100,000<br>Independent Regulatory Directors – £27,000–£35,000<br>Other Non-Executive Directors – £27,000 |
| <b>Benefits</b>  | Non-Executive Directors do not receive any benefits from the company outside of Directors' liability insurance  |

\*Full details of total Board remuneration is shown in note three of the financial statements





# FINANCIAL STATEMENTS

|                 |    |
|-----------------|----|
| Profit and Loss | 70 |
| Balance Sheet   | 72 |
| Cash Flow       | 74 |
| Equity Changes  | 75 |
| Notes           | 76 |

# PROFIT AND LOSS

This annual report, which does not constitute the company’s and group’s statutory annual report and financial statements that can otherwise be obtained from Companies House, includes financial statements and notes that have been extracted from the statutory annual report and financial statements. These statutory annual report and financial statements were signed by BDO LLP on 19 August 2019 and references to approval or signing date within these extracts refer to this date.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT (for the year ended 31 december 2018)

|  | Note | 2018<br>£'000   | 2017<br>£'000 |
|--|------|-----------------|---------------|
| <b>Group turnover</b>                        | 2    | <b>36,600</b>   | 34,717        |
| Administrative expenses                      |      | <b>(35,335)</b> | (33,348)      |
| <b>Operating profit</b>                      | 5    | <b>1,265</b>    | 1,369         |
| Interest on loans receivable                 | 6    | <b>100</b>      | -             |
| Other interest receivable and similar income | 7    | <b>17</b>       | 17            |
| Interest payable and similar expenses        | 8    | <b>(434)</b>    | (443)         |
| <b>Profit before taxation</b>                |      | <b>948</b>      | 943           |
| Taxation on profit                           | 9    | <b>20</b>       | 219           |
| <b>Profit for the financial year</b>         |      | <b>968</b>      | 1,162         |

The profit in the above profit and loss account relate entirely to continuing operations.  
The notes on pages 25 to 67 form part of these financial statements.

## CONSOLIDATED OTHER COMPREHENSIVE INCOME / (LOSS) (for the year ended 31 December 2018)

|   | Note | 2018<br>£'000 | 2017<br>£'000 |
|---|------|---------------|---------------|
| <b>Profit for the financial year</b>                    |      | <b>968</b>    | 1,162         |
| <b>Other comprehensive income / (loss)</b>              |      |               |               |
| Remeasurement of the net defined benefit liability      | 17   | <b>9,042</b>  | (2,217)       |
| <b>Total comprehensive income / (loss) for the year</b> |      | <b>10,010</b> | (1,055)       |

## COMPANY PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

(for the year ended 31 December 2018)

|  | Note | 2018<br>£'000   | 2017<br>£'000 |
|--|------|-----------------|---------------|
| <b>Turnover</b>                              | 2    | <b>34,414</b>   | 33,236        |
| Administrative expenses                      |      | <b>(33,216)</b> | (31,749)      |
| <b>Operating profit</b>                      | 5    | <b>1,198</b>    | 1,487         |
| Other interest receivable and similar income | 7    | <b>14</b>       | 12            |
| Interest payable and similar expenses        | 8    | <b>(434)</b>    | (443)         |
| <b>Profit before taxation</b>                |      | <b>778</b>      | 1,056         |
| Taxation on profit                           | 9    | <b>67</b>       | 173           |
| <b>Profit for the financial year</b>         |      | <b>845</b>      | 1,229         |

The profit in the above profit and loss account relate entirely to continuing operations.  
The notes on pages 20 to 45 form part of these financial statements.

## CONSOLIDATED OTHER COMPREHENSIVE INCOME / (LOSS) (for the year ended 31 December 2018)

|   | Note | 2018<br>£'000 | 2017<br>£'000 |
|---|------|---------------|---------------|
| <b>Profit for the financial year</b>                    |      | <b>845</b>    | 1,229         |
| <b>Other comprehensive income / (loss)</b>              |      |               |               |
| Remeasurement of the net defined benefit liability      | 17   | <b>9,042</b>  | (2,217)       |
| <b>Total comprehensive income / (loss) for the year</b> |      | <b>9,887</b>  | (988)         |



BALANCE SHEET

CONSOLIDATED BALANCE SHEET (at 31 December 2018)

|  | Note | 2018<br>£'000 | 2018<br>£'000 | 2017<br>£'000 | 2017<br>£'000 |
|--|------|---------------|---------------|---------------|---------------|
| <b>Fixed assets</b>  |      |               |               |               |               |
| Intangible assets  | 10   |               | 952           |               | 1,386         |
| Tangible assets  | 11   |               | 715           |               | 606           |
|  |      |               | 1,667         |               | 1,992         |
| <b>Current assets</b>  |      |               |               |               |               |
| Debtors (including £1,715,000 (2017: £1,983,000) due after more than one year) | 13   | 9,513         |               | 10,046        |               |
| Cash at bank and in hand   | 14   | 12,463        |               | 12,415        |               |
|  |      | 21,976        |               | 22,461        |               |
| <b>Creditors:</b> amounts falling due within one year                          | 15   | (13,876)      |               | (15,008)      |               |
| <b>Net current assets</b>  |      |               | 8,100         |               | 7,453         |
| <b>Total assets less current liabilities</b>                                   |      |               | 9,767         |               | 9,445         |
| <b>Provisions for liabilities</b>  |      |               |               |               |               |
| Pension and similar obligations  | 17   |               | (8,227)       |               | (17,915)      |
| <b>Net assets / (liabilities)</b>  |      |               | 1,540         |               | (8,470)       |
| <b>Capital and reserves</b>  |      |               |               |               |               |
| Capital reserve  |      |               | 19            |               | 19            |
| Profit and loss account  |      |               | 1,521         |               | (8,489)       |
| <b>Shareholders' funds / (deficit)</b>   |      |               | 1,540         |               | (8,470)       |

The notes on pages 25 to 67 form part of these financial statements. These financial statements were approved by the board of directors on 5 August 2019 and were signed on its behalf by: NJ Rust, Director

COMPANY BALANCE SHEET (at 31 December 2018)

|  | Note | 2018<br>£'000 | 2018<br>£'000 | 2017<br>£'000 | 2017<br>£'000 |
|--|------|---------------|---------------|---------------|---------------|
| <b>Fixed assets</b>  |      |               |               |               |               |
| Intangible assets  | 10   |               | 952           |               | 1,386         |
| Tangible assets  | 11   |               | 706           |               | 591           |
| Investments  | 12   |               | 3,456         |               | 3,456         |
|  |      |               | 5,114         |               | 5,433         |
| <b>Current assets</b>  |      |               |               |               |               |
| Debtors (including £56,000 (2017: £44,000) due after more than one year) | 13   | 7,540         |               | 7,872         |               |
| Cash at bank and in hand   | 14   | 10,504        |               | 10,811        |               |
|  |      | 18,044        |               | 18,683        |               |
| <b>Creditors:</b> amounts falling due within one year                    | 15   | (13,606)      |               | (14,763)      |               |
| <b>Net current assets</b>  |      |               | 4,438         |               | 3,920         |
| <b>Total assets less current liabilities</b>                             |      |               | 9,552         |               | 9,353         |
| <b>Provisions for liabilities</b>  |      |               |               |               |               |
| Pension and similar obligations  | 17   |               | (8,227)       |               | (17,915)      |
| <b>Net assets / (liabilities)</b>  |      |               | 1,325         |               | (8,562)       |
| <b>Capital and reserves</b>  |      |               |               |               |               |
| Capital reserve  |      |               | 19            |               | 19            |
| Profit and loss account  |      |               | 1,306         |               | (8,581)       |
| <b>Shareholders' funds / (deficit)</b>                                   |      |               | 1,325         |               | (8,562)       |

The notes on pages 25 to 67 form part of these financial statements. These financial statements were approved by the board of directors on 5 August 2019 and were signed on its behalf by: NJ Rust, Director

CASH FLOW

CONSOLIDATED CASH FLOW STATEMENT (for the year ended 31 December 2018)

|  | Note | 2018<br>£'000 | 2017<br>£'000 |
|--|------|---------------|---------------|
| <b>Cash flows for operating activities</b>                       |      |               |               |
| Profit for the financial year                                    |      | 968           | 1,162         |
| Adjustments for  |      |               |               |
| Depreciation, amortisation and impairment                        |      | 724           | 772           |
| Interest income receivable and similar income                    |      | (17)          | (17)          |
| Gain on financial assets at fair value through profit and loss   |      | (100)         | -             |
| Interest payable and similar expenses                            |      | 434           | 443           |
| Loss on sale of fixed assets                                     |      | 11            | -             |
| Corporation tax reclaimed in respect of prior periods            |      | 137           | 154           |
|  |      | 2,157         | 2,514         |
|  |      |               |               |
| Decrease / (Increase) in trade and other debtors                 |      | 434           | (1,452)       |
| Decrease in trade and other creditors                            |      | (1,171)       | (23)          |
| Taxation   |      | (20)          | (219)         |
| Difference between cash contributions and current service charge |      | (1,080)       | (1,158)       |
| Net cash from operating activities                               |      | 320           | (338)         |
| <b>Cash flows from investing activities</b>                      |      |               |               |
| Development expenditure  |      | (256)         | (553)         |
| Acquisition of tangible fixed assets                             |      | (187)         | (325)         |
| Interest received  |      | 17            | 17            |
| Net cash from operating activities                               |      | (426)         | (861)         |
| <b>Cash flows from financing activities</b>                      |      |               |               |
| Loans repayments from associated undertakings                    |      | 154           | 186           |
| Net cash from operating activities                               |      | 154           | 186           |
|  |      |               |               |
| Net increase / (decrease) in cash and cash equivalents           | 21   | 48            | (1,013)       |

EQUITY CHANGES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Capital reserve<br>£000 | Profit and loss account<br>£000 | Total equity<br>£000 |
|--|-------------------------|---------------------------------|----------------------|
| Balance at 1 January 2017                      | 19                      | (7,434)                         | (7,415)              |
| <b>Total comprehensive income for the year</b> |                         |                                 |                      |
| Profit   | -                       | 1,162                           | 1,162                |
| Other comprehensive loss                       | -                       | (2,217)                         | (2,217)              |
| Balance at 31 December 2017                    | 19                      | (8,489)                         | (8,470)              |
|  |                         |                                 |                      |
|  | Capital reserve<br>£000 | Profit and loss account<br>£000 | Total equity<br>£000 |
| Balance at 1 January 2018                      | 19                      | (8,489)                         | (8,470)              |
| <b>Total comprehensive income for the year</b> |                         |                                 |                      |
| Profit   | -                       | 968                             | 968                  |
| Other comprehensive loss                       | -                       | 9,042                           | 9,042                |
| Balance at 31 December 2018                    | 19                      | 1,521                           | 1,540                |

COMPANY STATEMENT OF CHANGES IN EQUITY

|  | Capital reserve<br>£000 | Profit and loss account<br>£000 | Total equity<br>£000 |
|--|-------------------------|---------------------------------|----------------------|
| Balance at 1 January 2017                      | 19                      | (7,593)                         | (7,574)              |
| <b>Total comprehensive income for the year</b> |                         |                                 |                      |
| Loss   | -                       | 1,229                           | 1,229                |
| Other comprehensive loss                       | -                       | (2,217)                         | (2,217)              |
| Balance at 31 December 2017                    | 19                      | (8,581)                         | (8,562)              |
|  |                         |                                 |                      |
|  | Share Capital<br>£000   | Profit and loss account<br>£000 | Total equity<br>£000 |
| Balance at 1 January 2018                      | 19                      | (8,581)                         | (8,562)              |
| <b>Total comprehensive income for the year</b> |                         |                                 |                      |
| Profit   | -                       | 845                             | 845                  |
| Other comprehensive income                     | -                       | 9,042                           | 9,042                |
| Balance at 31 December 2018                    | 19                      | 1,306                           | 1,325                |



# NOTES (FORMING PART OF THE FINANCIAL STATEMENTS)

1. ACCOUNTING POLICIES

British Horseracing Authority Limited (the “Company”) is a private company limited by guarantee and incorporated, registered and domiciled in the UK. The registered number is 02813358 and the registered office is 75 High Holborn, London, WC1V 6LS.

The Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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 16 in relation to the fair value assessment of financial instruments.

Measurement convention

The financial statements are prepared on the historical cost basis with the exception of certain financial instruments which have been measured at fair value.

Going concern

The directors believe that the Company and Group are well placed to manage their business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the Company and Group has adequate resources to continue in operational existence for the foreseeable future.

The Group has a material Deficit on the Group Pension Scheme which has a long term plan to be settled and therefore has limited impact on annual cash flows.

On this basis the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2018.

A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Company does not own all the shares in its subsidiary, British Horseracing Database Limited (‘BHD’), with the minority shareholders holding 3 ‘B’ and 3 ‘C’ shares each, compared to the Company’s holding of 4,003,932 ‘A’ shares. No minority interests are shown in the consolidated accounts of the Company as (i) under the provisions contained within the Articles of BHD the ‘A’ shareholder is the only shareholder entitled to a distribution, if and when a distribution is declared by the Board and (ii) on a winding up the assets are distributed in accordance with the number of shares held in all classes.

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significance influence is presumed to exists when the investors holds between 20% and 50% of the equity voting rights.

A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group’s share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net

assets is recorded on the balance sheet using the equity method.

In the parent financial statements, investments are carried at cost less impairment.

Intangible and tangible fixed assets

The cost of intangible and tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Assets under construction relates to work in progress on computer related development. This will be amortised/depreciated once it comes into use on the basis set out below. Internally generated intangible assets relate to computer development on new systems and are capitalised based upon asset cost including the staff costs of the internal development team calculated on an hourly basis.

Intangible assets are also reviewed for impairment and the assets determined to have positive future benefit which is in excess of their net book value.

Depreciation/amortisation is provided so as to write off the cost of tangible and intangible fixed assets on a straight line basis over the estimated useful economic lives of the assets concerned. The rates of depreciation / amortisation are as follows:

|  |                                     |
|--|-------------------------------------|
| Leasehold improvement                  | 3-5 years or lease term, if shorter |
| Contract computer development          | 7 years                             |
| Other computer development             | 4 years                             |
| Fixtures fittings and office equipment | 3-5 years                           |
| Intangible assets                      | 3-5 years                           |

The Company holds a licence for use of the Database of pre-race data for governance and regulatory purposes. In accordance with FRS 102, no amounts have been

capitalised in the balance sheet in respect of these rights. The cost of acquiring this asset is written off to the profit and loss account as incurred.

Fixed asset investments

Fixed asset investments in joint ventures and subsidiaries are held at cost less any provision for impairment in the financial statements of the Company.

Basic financial instruments

Trade and other debtors / creditors

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 interest 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.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss

Investments in subsidiaries, jointly controlled entities and associates

These are separate financial statements of the company. Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an initial term of less than 3 months. Bank overdrafts that are repayable on demand and form an integral part of the Company’s cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Reserves

The group’s and company’s reserves are as follows:

- Capital reserve represents the amounts that the members guarantee to contribute towards the debts of the company
- Profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

Turnover

Turnover, which excludes value added tax (‘VAT’), represents the invoiced value of goods and services supplied in connection with the administration of horseracing in Great Britain. The Company’s income is invoiced and recognised when these services are delivered to racecourses and other participants.

In addition, included within Group turnover are amounts (excluding VAT) derived from income from signed licence agreements with third parties. The licence income streams derived by the Group are recognised in the period they relate to.

Interest receivable and interest payable

Other interest receivable and similar income include interest receivable on funds invested. Interest income is recognised in the profit or loss as it accrues.

Interest payable and similar expenses include interest payable, and not interest expenses in relation to pension scheme assets and liabilities. Interest payable is recognised in profit or loss as it accrues.

Related party disclosure

Related Party Disclosures requires the disclosure of the details of material transactions between the Group and any related parties, as defined. Details of material related party transactions are included in note 21 to the financial statements.

Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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. 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 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. Deferred tax balances are not discounted.

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

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Employee benefits

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 a defined benefit plan 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 triennially by a qualified actuary and the position updated 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.

Termination benefits

Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determining whether leases are operating or finance leases based upon whether the risks and rewards of ownership have been transferred from the lessor to the lease on a lease by lease basis.

- Determine whether there are indicators of impairment of the company's fixed assets. Factors taken into consideration include the economic viability and expected future financial performance of the assets and its ability to continue to be of use to the company's business activities.

Other key sources of estimation uncertainty

- Intangible and Tangible fixed assets (notes 10 and 11)

Tangible and intangible fixed assets are depreciated over their useful economic lives taking into account any residual values where appropriate. The useful economic lives are assessed at time brought into use, and reviewed at each year end to determine if these assumptions have changed. Any intangibles which do not generate future cash flows or are not in use by the business are written off.

The creation of certain intangible assets is based upon costs of the IT development staff involved, the hours completed on a project and the hourly rate of pay. No additional management time is included in the capitalised costs. Given there is no formal timesheet system, this calculation requires judgement.

- Defined benefit pension scheme (note 17)

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future levels of inflation, mortality and investment returns. Due to the complexity of the valuation, the underlying assumptions and the long term nature of the liabilities, such estimates are subject to significant uncertainty. The discount rate is determined using appropriate corporate bonds as specified under FRS102, the mortality rates are based upon mortality tables and the future rates of inflation are based upon market conditions and expectations.

- Taxation, including deferred taxation (note 9)

The taxation charge and related provision for corporation tax relies upon a series of estimates and judgements regarding disallowable items and reliefs. It also uses estimates for likely research and development tax credits which are estimated based upon research

spend and the anticipated amount which will be exchanged for cash. This is shown as deferred tax.

Deferred tax assets are only recognised to the extent that these are expected to be offset against future taxable profits. Significant management judgement is exercised in determining the level of tax assets that can be recognised, taking into account future forecasts and likely R&D credits, with a prudent approach taken should their existence not be considered probable.

- Debtors, specifically loans (note 13)

The group holds two loans which require judgement. Their future recoverability is determined through viewing payment compliance versus agreed payment dates and loanee's future business model and financial forecasts. Where sufficient uncertainty exists, a provision is made. Judgement is also required in determining the fair value of the loan which is calculated using appropriate assessments of market rates.

2. SEGMENTAL INFORMATION – GROUP AND COMPANY

|   | Racing administration<br>2018<br>£'000 | Data licensing<br>2018<br>£'000 | Total<br>2018<br>£'000 |
|---|--|---------------------------------|------------------------|
| Turnover  |  |                                 |                        |
| United Kingdom and Republic of Ireland              | 34,701                                 | 1,899                           | 36,600                 |
| Total sales - Group                                 | 34,701                                 | 1,899                           | 36,600                 |
| Subsidiary racing administration revenue            | (645)                                  |                                 |                        |
| Intra group revenue (Company only)                  | 358                                    |                                 |                        |
| Total sales - Company                               | 34,414                                 |                                 |                        |
| Total operating profit before interest and taxation | 1,212                                  | 53                              | 1,265                  |
| Net assets / (liabilities)                          | 1,979                                  | (439)                           | 1,540                  |

|   | Racing administration<br>2017<br>£'000 | Data licensing<br>2017<br>£'000 | Total<br>2017<br>£'000 |
|---|--|---------------------------------|------------------------|
| Turnover  |  |                                 |                        |
| United Kingdom and Republic of Ireland              | 32,708                                 | 2,009                           | 34,717                 |
| Total sales - Group                                 | 32,708                                 | 2,009                           | 34,717                 |
| Intra group revenue (Company only)                  | 528                                    |                                 |                        |
| Total sales - Company                               | 33,236                                 |                                 |                        |
| Total operating profit before interest and taxation | 1,262                                  | 107                             | 1,369                  |
| Net liabilities                                     | (7,922)                                | (548)                           | (8,470)                |

The Group has two classes of business, data licensing and racing administration, both of which originate in the UK. It is not possible to split the operating profit before interest and taxation or the net assets / liabilities by geographical destination.

3. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT

The remuneration payable to each of the directors of British Horseracing Authority Limited for the year was:

|                   | 2018<br>£'000 | 2017<br>£'000 |
|-------------------|---------------|---------------|
| NJ Rust           | 394           | 380           |
| SR Harman         | 86            | 100           |
| AWK Merriam       | 27            | 27            |
| DL Whyte          | 27            | 27            |
| JW Saumarez Smith | 27            | 27            |
| A Duncan          | 37            | 27            |
| E Wilmott         | -             | 25            |
| JA Harrington     | 22            | 27            |
| EN Harwerth       | 27            | 27            |
| JR Arnold         | 27            | 27            |
| Sir PR Stephenson | 35            | 35            |
| VA Currie         | 27            | 27            |
| Total             | 736           | 756           |

The costs of NJ Rust, who was Chief Executive, are also represented within the costs included in note 4.

|  | Number of directors |      |
|--|---------------------|------|
|  | 2018                | 2017 |
| Retirement benefits are accruing to the following number of directors under: |                     |      |
| Money purchase schemes   | 1                   | 1    |

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £394,000 (2017: £380,000), and Company pension contributions of £15,910 (2017: £24,300) were made to a money purchase scheme on his behalf.

Key management personnel compensation for the group for the year which includes the total costs of the Board plus Executive team was £2,411,000 (2017: £2,515,000)



#### 4. STAFF NUMBERS AND COSTS

The average number of persons employed by the Company is shown below:

|                 | Group and Company |        | Company* |        |
|-----------------|-------------------|--------|----------|--------|
|                 | 2018              | 2017   | 2018     | 2017   |
|                 | Number            | Number | Number   | Number |
| Permanent staff | 253               | 244    | 240      | 232    |
| Sessional staff | 18                | 26     | 17       | 25     |
|                 | 271               | 270    | 257      | 257    |

The aggregate payroll costs of these persons were as follows:

|                       | Group  |        | Company |        |
|-----------------------|--------|--------|---------|--------|
|                       | 2018   | 2017   | 2018    | 2017   |
|                       | £000   | £000   | £000    | £000   |
| Wages and salaries    | 11,320 | 10,895 | 10,840  | 10,509 |
| Pension costs         | 1,357  | 1,296  | 1,312   | 1,261  |
| Social security costs | 1,240  | 1,204  | 1,187   | 1,153  |
|                       | 13,917 | 13,395 | 13,339  | 12,923 |

All staff in the group are employed by the company, however their costs are allocated between the company and Great British Racing Limited depending upon the activities they perform. To provide clarity to the reader the number of employees of BHA, whose costs are included in BHA are shown under Company\* and the number of staff employed by BHA including those whose costs are recharged elsewhere are shown in Group and Company.

#### 5. EXPENSES AND AUDITOR'S REMUNERATION - GROUP

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Included in operating profit are the following:                    |               |               |
| Depreciation/amortisation charge for the year:                     |               |               |
| Tangible owned fixed assets  | 294           | 316           |
| Intangible owned fixed assets                                      | 430           | 456           |
| Loss on disposal of fixed assets                                   | 11            | -             |
| Impairment charges   | -             | 148           |
| Operating leases:  |               |               |
| Building rentals   | 867           | 852           |
| Car leases   | 382           | 376           |
| Photocopier leases   | 40            | 47            |
| Auditor's remuneration:  |               |               |
| Audit of these financial statements                                | 42            | 44            |
| Amounts receivable by auditors and their associates in respect of: |               |               |
| Audit of financial statements of subsidiaries of the company       | 12            | 14            |
| Taxation compliance services                                       | -             | 25            |
| Other tax advisory services  | -             | 9             |
| All other services   | -             | 1             |

#### 6. INTEREST ON LOANS RECEIVABLE - GROUP

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Effective interest on fair value of BCS loan | 64            | -             |
| Contractual interest on BCS loan             | 36            | -             |
|  | 100           | -             |

#### 7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

| GROUP         | 2018<br>£'000 | 2017<br>£'000 |
|---------------|---------------|---------------|
| Bank interest | 17            | 17            |
|               | 17            | 17            |
| COMPANY       | 2018<br>£'000 | 2017<br>£'000 |
| Bank interest | 14            | 12            |
|               | 14            | 12            |

8. INTEREST PAYABLE AND SIMILAR EXPENSES - GROUP AND COMPANY

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Interest on assets                                      | (1,820)       | (1,966)       |
| Interest on liabilities                                 | 2,254         | 2,409         |
| Net interest expense on net defined benefit liabilities | 434           | 443           |

9. TAXATION

| GROUP  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Analysis of current tax recognised in profit and loss<br>UK corporation tax at 19% (2017:19.25%) |               |               |
| Current tax  |               |               |
| Tax on profit for the year   | 43            | (25)          |
| Adjustment in respect of prior periods   | (7)           | (141)         |
| Total current tax  | 36            | (166)         |
| Deferred tax credit for the year   | (56)          | (53)          |
| Total tax credit   | (20)          | (219)         |
| Reconciliation of effective tax rate   | 2018<br>£'000 | 2017<br>£'000 |
| Profit excluding taxation  | 948           | 943           |
| Tax using the UK corporation tax rate of 19% (2017:19.25%)                                       | 180           | 182           |
| Effects of:  |               |               |
| Expenses not deductible for tax purposes   | 98            | 28            |
| Pension costs not immediately deductible   | (123)         | (138)         |
| R&D tax credits to offset trading profits  | (112)         | (180)         |
| R&D tax credits exchanged for cash   | (56)          | (137)         |
| (over) / under provided in prior year  | (7)           | (4)           |
| Capital allowances in excess of depreciation   | -             | 30            |
| Total current tax credit (see above)   | (20)          | (219)         |

The Company has claimed R&D tax credits for 2017 which were exchanged for cash. This amount of £47,000 (2017: £137,000) was received in January 2019. The Group will continue to seek to claim these going forward, where appropriate, and will include an appropriate amount in determining the current year tax charge, both in offsetting trading profits but also as a cash-in value. Claims in respect of 2018 have been accrued in the 2018 tax computation.

Factors that may affect future tax charges:

A deferred tax asset of £56,000 (2017: £53,000) has been recognised in the balance sheet in respect of anticipated R&D credits. In addition, £1,193,000 (2017: £2,598,000) has not been recognised on the Group's pension scheme liability. This is due to the uncertainty of there being sufficient taxable profits in future years to enable such tax deductions to be claimed. There are also unrecognised trading losses of £383,000 (2017: £383,000) which again are unable to be recognised due to insufficient taxable profits in future to use them against.

Reductions in the UK corporation tax rate to 19% (effective 1 April 2017) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. Given the Company's expectation that it will continue to make small profits and receive group relief, the impact of a reduction in future corporation tax rates is expected to be minimal.

| COMPANY  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Analysis of current tax recognised in profit and loss<br>UK corporation tax at 19% (2017:19.25%) |               |               |
| Current tax  |               |               |
| Adjustment in respect of prior years   | (11)          | (137)         |
| Total current tax  | (11)          | (137)         |
| Deferred tax credit for the year   | (56)          | (36)          |
| Total tax credit   | (67)          | (173)         |
| Reconciliation of effective tax rate   | 2018<br>£'000 | 2017<br>£'000 |
| Profit excluding taxation  | 778           | 1,056         |
| Current tax at 19 % (2017:19.25 %)   | 148           | 203           |
| Effects of:  |               |               |
| Expenses not deductible for tax purposes   | 86            | 49            |
| Pension costs not immediately deductible   | (123)         | (138)         |
| R&D tax credits to offset trading profits  | (112)         | (180)         |
| R&D tax credits exchanged for cash   | (56)          | (137)         |
| (Over) / under provided in prior year  | (11)          | -             |
| Capital allowances in excess of depreciation   | 1             | 30            |
| Total current tax (credit) (see above)   | (67)          | (173)         |

The Company has claimed R&D tax credits for 2017 which were exchanged for cash. This amount of £47,000 (2017: £137,000) was received in January 2019 and was £11,000 higher than previously provided. This is disclosed as an adjustment in respect of prior year. The Company will continue to seek to claim these going forward, where appropriate, and will include an appropriate amount in determining the current year tax charge, both in offsetting trading profits but also as a cash-in value. Claims in respect of 2018 have been accrued in the 2018 tax computation.

Factors that may affect future tax charges:

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deductions to be claimed. There are also unrecognised trading losses of £383,000 (2017: £383,000) which again are unable to be recognised due to insufficient taxable profits in future to use them against.

Reductions in the UK corporation tax rate to 19% (effective 1 April 2017) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. Given the Company's expectation that it will continue to make small profits and receive group relief, the impact of a reduction in future corporation tax rates is expected to be minimal.

# 10. INTANGIBLE FIXED ASSETS – GROUP AND COMPANY

|                              | Development costs<br>£000 | Assets under construction<br>£000 | Total<br>£000 |
|------------------------------|---------------------------|-----------------------------------|---------------|
| <b>Cost</b>                  |                           |                                   |               |
| At 1 January 2018            | 2,142                     | 413                               | 2,555         |
| Additions                    | 256                       | -                                 | 256           |
| Transfers to completed       | 153                       | (153)                             | -             |
| Transfers to tangible assets | -                         | (219)                             | (219)         |
| Disposals                    | -                         | (41)                              | (41)          |
| <b>At 31 December 2018</b>   | <b>2,551</b>              | <b>-</b>                          | <b>2,551</b>  |
| <b>Amortisation</b>          |                           |                                   |               |
| At 1 January 2018            | 1,169                     | -                                 | 1,169         |
| Charge for the year          | 430                       | -                                 | 430           |
| <b>At 31 December 2018</b>   | <b>1,599</b>              | <b>-</b>                          | <b>1,599</b>  |
| <b>Net book value</b>        |                           |                                   |               |
| <b>At 31 December 2018</b>   | <b>952</b>                | <b>-</b>                          | <b>952</b>    |
| At 1 January 2018            | 973                       | 413                               | 1,386         |

These costs relate to racing specific software and system development commissioned from third parties and are either amortised over 4 years for external development or over the remaining life of the contract to which the development relates. This method of amortisation is believed to be fair and appropriate and represent the useful economic life of the asset in the most appropriate manner. The amortisation charge is included with administrative expenses.

# 11. TANGIBLE FIXED ASSETS

| GROUP                      | Leasehold<br>improvements<br>£000          | Fixtures, fittings and<br>office equipment<br>£000          | Total<br>£000         |
|----------------------------|--|---|-----------------------|
| <b>Cost</b>                |  |   |                       |
| At 1 January 2018          | 1,224                                      | 3,146   | 4,370                 |
| Additions                  | 41   | 146   | 187                   |
| Transfers                  | -  | 219   | 219                   |
| Disposals                  | -  | (1,525)   | (1,525)               |
| <b>At 31 December 2018</b> | <b>1,265</b>                               | <b>1,986</b>  | <b>3,251</b>          |
| <b>Depreciation</b>        |  |   |                       |
| At 1 January 2018          | 1,127                                      | 2,637   | 3,764                 |
| Charge for the year        | 68   | 226   | 294                   |
| Disposals                  | -  | (1,522)   | (1,522)               |
| <b>At 31 December 2018</b> | <b>1,195</b>                               | <b>1,341</b>  | <b>2,536</b>          |
| <b>Net book value</b>      |  |   |                       |
| <b>At 31 December 2018</b> | <b>70</b>                                  | <b>645</b>  | <b>715</b>            |
| At 1 January 2018          | 97   | 509   | 606                   |
| <b>COMPANY</b>             | <b>Leasehold<br/>improvements<br/>£000</b> | <b>Fixtures, fittings and<br/>office equipment<br/>£000</b> | <b>Total<br/>£000</b> |
| <b>Cost</b>                |  |   |                       |
| At 1 January 2018          | 1,224                                      | 3,121   | 4,345                 |
| Additions                  | 41   | 146   | 187                   |
| Transfers                  | -  | 219   | 219                   |
| Disposals                  | -  | (1,525)   | (1,525)               |
| <b>At 31 December 2018</b> | <b>1,265</b>                               | <b>1,961</b>  | <b>3,226</b>          |
| <b>Depreciation</b>        |  |   |                       |
| At 1 January 2018          | 1,127                                      | 2,627   | 3,754                 |
| Charge for the year        | 68   | 220   | 288                   |
| Disposals                  | -  | (1,522)   | (1,522)               |
| <b>At 31 December 2018</b> | <b>1,195</b>                               | <b>1,325</b>  | <b>2,520</b>          |
| <b>Net book value</b>      |  |   |                       |
| <b>At 31 December 2018</b> | <b>70</b>                                  | <b>636</b>  | <b>706</b>            |
| At 1 January 2018          | 97   | 494   | 591                   |

12. FIXED ASSET INVESTMENTS - COMPANY

|                                   | Shares in Group<br>Undertakings<br>£000 | Total<br>£000 |
|-----------------------------------|---|---------------|
| <b>Cost</b>                       |   |               |
| At 1 January and 31 December 2018 | 4,004                                   | 4,004         |
| <b>Provision</b>                  |   |               |
| At 1 January 2018                 | (548)                                   | (548)         |
| Impairment charge for the year    | -                                       | -             |
| At 31 December 2018               | (548)                                   | (548)         |
| <b>Net book value</b>             |   |               |
| <b>At 31 December 2018</b>        | <b>3,456</b>                            | <b>3,456</b>  |
| <b>At 1 January 2018</b>          | <b>3,456</b>                            | <b>3,456</b>  |

The Company has the following direct investments:

|   | Country of<br>incorporation | Number of<br>shares | Class of<br>shares held | Ownership 2018<br>% | Ownership 2017<br>% |
|---|-----------------------------|---------------------|-------------------------|---------------------|---------------------|
| British Horseracing Database Limited      | UK                          | 4,003,932           | Ordinary                | 100%                | 100%                |
| British Horseracing Limited*              | UK                          | 2                   | Ordinary                | 100%                | 100%                |
| British Horseracing Board Limited*        | UK                          | 2                   | Ordinary                | 100%                | 100%                |
| Racing For All*                           | UK                          | 2                   | Ordinary                | 100%                | 100%                |
| Horseracing Regulatory Authority Limited* | UK                          | 1,000               | Ordinary                | 100%                | 100%                |

The four companies marked with \* are all dormant companies and no longer trade. All of the above companies have their registered office at 75 High Holborn, London, WC1V 6LS.

The Company has the following indirect investments through its subsidiaries:

|  | Country of<br>incorporation | Number of<br>shares | Class of<br>shares held | Ownership 2018<br>% | Ownership 2017<br>% |
|--|-----------------------------|---------------------|-------------------------|---------------------|---------------------|
| Great British Racing Limited (formerly Racing Enterprises Limited) | UK                          | 4,003,932           | Ordinary                | 99.99985%           | 99.99985%           |
| British Champions Series Limited                                   | UK                          | 150                 | Ordinary                | 15.0%               | 15.0%               |

All of the above companies have their registered office at 75 High Holborn, London, WC1V 6LS.

13. DEBTORS

|                                    | 2018<br>£000 | Group<br>2017<br>£000 | 2018<br>£000 | Company<br>2017<br>£000 |
|------------------------------------|--------------|-----------------------|--------------|-------------------------|
| Trade debtors                      | 2,952        | 4,104                 | 2,952        | 4,104                   |
| Amounts owed by group undertakings | -            | -                     | 282          | 180                     |
| Corporation tax asset              | 74           | 164                   | 47           | 137                     |
| Deferred tax asset                 | 56           | 53                    | 56           | 36                      |
| Other debtors                      | 2,837        | 2,721                 | 2,837        | 2,721                   |
| VAT                                | -            | 29                    | -            | -                       |
| Loan owed by BCS Limited           | 2,022        | 2,076                 | -            | -                       |
| Prepayments and accrued income     | 1,572        | 899                   | 1,366        | 694                     |
|                                    | 9,513        | 10,046                | 7,540        | 7,872                   |
| Due within one year                | 7,798        | 8,063                 | 7,484        | 7,828                   |
| Due after one year                 | 1,715        | 1,983                 | 56           | 44                      |
|                                    | 9,513        | 10,046                | 7,540        | 7,872                   |

The above loan balance of £2,022,000 represents an amount drawn down by BCS Limited. This loan will be repaid between 1 January 2016 and 31 December 2025 over which time interest of £486,000 will have been earned. The interest rate charged varies according to which element of the loan it relates to and in accordance with FRS102 using the effective interest method, £100,000 is recognised in 2018, with £36,000 being contractual interest and £64,000 being effective interest market rate ‘top-up’ on the fair value of the loan. The next repayment of £363,000 is scheduled for December 2019 at which stage a further £97,000 of total interest will be recognised. £380,000 has been repaid to date.

The loan to BCS Limited is stated at fair value calculated using a market rate ‘top-up’ over and above the discount rate implicit in the loan agreement based upon the timing and value of the repayments. All other financial instruments are held at amortised cost as they are repayable on demand.

14. CASH – GROUP AND COMPANY

Included within the group cash balance of £12,463,000 (2017: £12,415,000) and company cash balances of £10,504,000 (2017: £10,811,000) are ring fenced balances of £5,567,000 (2017: £5,981,000).



15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                   | 2018   | Group        | 2018   | Company      |
|-----------------------------------|--------|--------------|--------|--------------|
|                                   | £000   | 2017<br>£000 | £000   | 2017<br>£000 |
| Trade creditors                   | 2,145  | 2,932        | 2,002  | 2,695        |
| Amount owed to group undertakings | -      | -            | 68     | 71           |
| Corporation tax                   | 33     | 2            | -      | -            |
| Other taxes and social security   | 744    | 746          | 660    | 740          |
| Other creditors                   | 10,290 | 10,776       | 10,212 | 10,705       |
| Accruals and deferred income      | 664    | 552          | 664    | 552          |
|                                   | 13,876 | 15,008       | 13,606 | 14,763       |

16. CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and liabilities include:

|  | 2018   | Group        | 2018   | Company      |
|--|--------|--------------|--------|--------------|
|  | £000   | 2017<br>£000 | £000   | 2017<br>£000 |
| Assets measured at amortised cost      | 20,274 | 21,316       | 16,575 | 17,816       |
| Liabilities measured at amortised cost | 12,749 | 13,877       | 12,596 | 13,640       |

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

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

All of the Group’s financial assets with the exception of the loan from GBR to BCS, are repayable on demand. Similarly all financial liabilities are payable on demand.

In relation to the loan from GBR to BCS the fair value has been determined using a discount rate of 4.82% which is believed to be a reasonable reflection of the market rate of interest.

The directors believe that there is minimal credit risk given the success of BCS and unless the next repayment in 2019 is not made in accordance with the repayment plan then it will continue to take a positive view of the recoverability and therefore fair value of this loan going forward.

17. PENSION SCHEME

Overview

The Company operates a pension scheme for its employees, the British Horseracing Authority Pension Scheme (‘the Scheme’). The Scheme has two sections, a Defined Benefit (‘DB’) section and a Defined Contribution (‘DC’) section. The DC section is also used for the purposes of auto enrolment.

Defined Benefit Section

The DB section was closed to future accrual on 31 December 2015. Prior to this, the DB section has been based upon career average revalued earnings.

The latest full actuarial valuation of the DB section of the Scheme was carried out at 31 December 2017 and was updated for FRS 102 purposes to 31 December 2018 by a qualified independent actuary.

The company will contribute £1,304,000 as an annual deficit repair payment in 2019 and has a recovery plan agreed with the trustees of the Scheme that is in place until May 2026.

The trustees of the Scheme have a guarantee from the Horserace Betting Levy Board (‘HBLB’) that if the BHA does not make its annual payments for either the annual deficit payment or its ongoing services contributions then the HBLB will make these payments. This guarantee is effective until the earlier of 30 September 2024 or the date at which the Scheme deficit using the 2007 actuarial assumptions has been fully paid off.

In addition the Employer meets the costs of administering the Scheme, the cost of lump sum death in service insurance premiums and Levies payable by the Scheme.

Net pension liability

|                            | Value at 31<br>December 2018<br>£’000 | Value at 31<br>December 2017<br>£’000 |
|----------------------------|---------------------------------------|---------------------------------------|
| Defined benefit obligation | (78,048)                              | (91,576)                              |
| Plan assets                | 69,821                                | 73,661                                |
| Deficit                    | (8,227)                               | (17,915)                              |
| Related deferred tax asset | -                                     | -                                     |
| Net pension liability      | (8,227)                               | (17,915)                              |

Movements in present value of defined benefit obligation:

|  | Value at 31<br>December 2018<br>£'000 | Value at 31<br>December 2017<br>£'000 |
|--|---------------------------------------|---------------------------------------|
| At start of year                                     | 91,576                                | 87,776                                |
| Current service cost                                 | -                                     | -                                     |
| Past service cost                                    | 78                                    | -                                     |
| Interest cost  | 2,254                                 | 2,409                                 |
| Actuarial (gains) / losses due to assumption changes | (8,828)                               | 4,116                                 |
| Experience (gain) / loss                             | (4,152)                               | 757                                   |
| Contributions by members                             | -                                     | -                                     |
| Benefits paid  | (2,880)                               | (3,482)                               |
| At end of year                                       | 78,048                                | 91,576                                |

Movements in fair value of plan assets:

|  | Value at 31<br>December 2018<br>£'000 | Value at 31<br>December 2017<br>£'000 |
|--|---------------------------------------|---------------------------------------|
| At start of year                         | 73,661                                | 71,363                                |
| Interest on assets                       | 1,820                                 | 1,966                                 |
| Actuarial gain / (loss) on scheme assets | (3,938)                               | 2,656                                 |
| Contributions by employer                | 1,158                                 | 1,158                                 |
| Contributions by members                 | -                                     | -                                     |
| Benefits paid                            | (2,880)                               | (3,482)                               |
| At end of year                           | 69,821                                | 73,661                                |

Expense recognised in the profit and loss account:

|   | Value at 31<br>December 2018<br>£'000 | Value at 31<br>December 2017<br>£'000 |
|---|---------------------------------------|---------------------------------------|
| Current service cost                          | -                                     | -                                     |
| Past service cost                             | 78                                    | -                                     |
| Net interest on net defined benefit liability | 434                                   | 443                                   |
| Total expense recognised in profit and loss   | 512                                   | 443                                   |

The total amount recognised in other comprehensive income is a gain of £9,042,000 (2017: loss of £2,217,000).

Cumulative actuarial losses reported in other comprehensive income for accounting periods ending on or after 22 June 2002, are losses of £13,383,000 (2017: £22,425,000).

Scheme assets

The fair value of the Scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, were:

|  | Value at 31<br>December 2018<br>£'000 | Value at 31<br>December 2017<br>£'000 |
|--|---------------------------------------|---------------------------------------|
| Equities and other return seeking assets | 17,210                                | 19,712                                |
| Bonds and other defensive assets         | 49,519                                | 51,045                                |
| Property                                 | 2,442                                 | 2,364                                 |
| Cash                                     | 640                                   | 529                                   |
| Annuity                                  | 10                                    | 11                                    |
| Total market value of assets             | 69,821                                | 73,661                                |
| Actual return on plan assets             | (2,118)                               | 4,622                                 |

The major assumptions used in this valuation by the actuary were (in nominal terms):

|                                  | 31 December<br>2018 | 31 December<br>2017 |
|----------------------------------|---------------------|---------------------|
| Discount rate                    | 2.80%               | 2.50%               |
| Inflation (Consumer Price Index) | 2.80%               | 2.80%               |
| Inflation (Retail Price Index)   | 3.60%               | 3.60%               |
| Pension increase (RPI max 5%)    | 3.40%               | 3.40%               |
| Pension increase (RPI max 2.5%)  | 2.30%               | 2.30%               |
| Pension increase (CPI max 2.5%)  | 2.10%               | 2.10%               |

In valuing the liabilities of the pension fund at 31 December 2018, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.4 years (male), 24.4 years (female). (2017: 22.9 years (male), 25.0 years (female))
- Future retiree, currently aged 45, upon reaching 65: 23.8 years (male), 25.9 years (female). (2017: 24.2 years (male), 26.5 years (female))

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.



The history of the plans for the current and prior periods is as follows:

|                                     | 2018<br>£000 | 2017<br>£000 | 2016<br>£000 | 2015<br>£000 | 2014<br>£000 |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Present value of scheme liabilities | (78,048)     | (91,576)     | (87,776)     | (72,126)     | (71,668)     |
| Fair value of scheme assets         | 69,821       | 73,661       | 71,363       | 59,325       | 60,053       |
| Deficit                             | (8,227)      | (17,915)     | (16,413)     | (12,801)     | (11,615)     |

Experience adjustments:

|  | Year ending<br>31 December<br>2018 | Year ending<br>31 December<br>2017 | Year ending<br>31 December<br>2016 |
|--|------------------------------------|------------------------------------|------------------------------------|
|--|------------------------------------|------------------------------------|------------------------------------|

Difference between the expected and actual return on scheme assets – gain/(loss):

|                                      |         |       |        |
|--------------------------------------|---------|-------|--------|
| Amount (£000)                        | (3,938) | 2,656 | 10,869 |
| Percentage of year end scheme assets | 6%      | 4%    | 15%    |

Experience gains and (losses) on scheme liabilities:

|   |       |       |      |
|---|-------|-------|------|
| Amount (£000)                             | 4,152 | (757) | 318  |
| Percentage of year end scheme liabilities | 5.3%  | 0.8%  | 0.3% |

Total amount recognised in other comprehensive income – gain/(loss):

|   |       |         |         |
|---|-------|---------|---------|
| Amount (£000)                             | 9,042 | (2,217) | (4,348) |
| Percentage of year end scheme liabilities | 11.5% | 2%      | 5%      |

The DB element of the scheme was closed to future accrual on 31 December 2015 and therefore from 2016 onwards, the only contributions being paid into this section relate to the agreed deficit repair contributions at the rates recommended by the Scheme Actuary. Cash contributions to the DB element amounted to £1,158,000 to the Scheme in 2018 (2017: £1,158,000).

Analysis of amount recognised in other comprehensive income

|  | Year ending<br>31 December<br>2018 | Year ending<br>31 December<br>2017 | Year ending<br>31 December<br>2016 |
|--|------------------------------------|------------------------------------|------------------------------------|
| Actuarial (loss) / gain on scheme assets                         | (3,938)                            | 2,656                              | 10,869                             |
| Changes in actuarial assumptions                                 | 8,828                              | (4,116)                            | (15,535)                           |
| Experience gains / (losses)                                      | 4,152                              | (757)                              | 318                                |
| Actuarial gain / (loss) recognised in other comprehensive income | 9,042                              | (2,217)                            | (4,348)                            |

Analysis of amount recognised in other comprehensive income (continued)

|  | Year ending<br>31 December<br>2015 | Year ending<br>31 December<br>2014 |
|--|------------------------------------|------------------------------------|
| Actuarial (loss) / gain on scheme assets                         | (2,396)                            | 8,090                              |
| Changes in actuarial assumptions                                 | 3,758                              | (9,371)                            |
| Experience (losses) / gains                                      | (3,147)                            | -                                  |
| Actuarial (loss) / gain recognised in other comprehensive income | (1,785)                            | (1,281)                            |

Defined contribution section

The Company's contribution to the defined contribution scheme is charged to the profit and loss account in the period in which they are paid and amounted to £1,311,987 in 2018 (2017: £1,261,356 ).

The amount payable to the pension fund as at 31 December 2018 was £214,000 (2017: £209,000)

In addition the Company paid £23,000 into the personal pension schemes of certain employees (2017: £23,000).

18. CONTINGENT LIABILITIES

In 2016, organisations representing British Racing entered into three year authorised betting partner agreements with a number of on-line betting operators. Under these agreements payments were paid to the Horserace Betting Levy Board.

Three of these agreements included a rebate clause which came into force should certain events occur during the term of these agreements.

In each of these three cases, in the view of the directors, there is no legal obligation on the Company to make good these rebate claims. However, the ultimate settlement of these claims is a matter of ongoing discussions between the organisations representing British Racing and the Horserace Betting Levy Board.

As at the date of approval of these financial statements, the level of any British Horseracing Authority contribution to this settlement, if any, cannot be reliably quantified.

19. LIABILITY OF MEMBERS

The four members of the Company have undertaken to contribute a sum not exceeding £1 each to meet the liabilities of the Company in the event that it is wound up.

20. COMMITMENTS

The Group has a contract with Weatherbys Thoroughbred Limited for the provision of substantial racing and general administration services which expires at the end of 2020 but which is subject to three year notice, as yet notice has not been served.

At 31 December 2018 the Group and Company had commitments under non-cancellable operating leases as follows:

|                                      | Land and<br>buildings<br>£000 | 2018<br>Other<br>£000 | Land and<br>buildings<br>£000 | 2017<br>Other<br>£000 |
|--------------------------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| Expiring:                            |                               |                       |                               |                       |
| within one year                      | 852                           | 322                   | 849                           | 297                   |
| between one and five years inclusive | 280                           | 410                   | 1,112                         | 227                   |
| Over five years                      | -                             | -                     | -                             | -                     |
|                                      | 1,132                         | 732                   | 1,961                         | 524                   |

The lease commitments included in other relate to motor cars.

21. ANALYSIS OF NET FUNDS

|                          | At 1 January 2018<br>£000 | Cash flow | At 31 December 2018<br>£000 |
|--------------------------|---------------------------|-----------|-----------------------------|
| Cash at bank and in hand | 5,660                     | 462       | 6,122                       |
| Ring fenced cash         | 5,981                     | (414)     | 5,567                       |
| Short term deposits      | 774                       | -         | 774                         |
| Total                    | 12,415                    | 48        | 12,463                      |

22. RELATED PARTY TRANSACTIONS

Identity of related parties with which the Company has transacted

The company has transacted with the following related parties, all of which are related by virtue of one of their employees/appointments/directors being a member of the Board of the Company, or as a member body of the Company.

- Racecourse Association Limited
- Racehorse Owners Association Limited
- Thoroughbred Breeders' Association
- Fakenham Racecourse Limited
- National Trainers Federation
- Horsemen's Group
- British Champions Series Limited
- The Hamilton Park Racecourse Company Limited
- Point-to-Point Authority Limited
- Retraining of Racehorses Limited
- Racing to School Limited
- Jockey Club Racecourses Limited
- Jockey Club Estates
- Racing Welfare
- British Horseracing Database Limited
- Great British Racing Limited
- Crimestoppers Enterprises Limited
- Horserace Betting Levy Board



Other related party transactions

|  | Sales and recharges to |              | Administrative expenses incurred from |              |
|--|------------------------|--------------|---------------------------------------|--------------|
|  | 2018<br>£000           | 2017<br>£000 | 2018<br>£000                          | 2017<br>£000 |
| Racecourse Association Limited               | 19                     | 43           | -                                     | 1            |
| Racehorse Owners Association Limited         | 76                     | 98           | -                                     | -            |
| Thoroughbred Breeders Association            | 64                     | 37           | -                                     | -            |
| Fakenham Racecourse Limited                  | 190                    | 185          | -                                     | -            |
| The Hamilton Park Racecourse Company Limited | 263                    | 256          | -                                     | 6            |
| National Trainers Federation                 | 1                      | 1            | 1                                     | -            |
| Horsemen's Group                             | -                      | -            | (75)                                  | (50)         |
| Point to Point Authority Limited             | 120                    | 145          | -                                     | -            |
| Retraining of Racehorses Limited             | -                      | -            | -                                     | 1            |
| Racing to School Limited                     | 7                      | 5            | -                                     | -            |
| Jockey Club Racecourses Limited              | 5,121                  | 8            | 25                                    | 26           |
| Jockey Club Estates                          | 2                      | -            | 6                                     | 2            |
| Racing Welfare                               | 2                      | 4            | 5                                     | 2            |
| Horserace Betting Levy Board                 | -                      | 44           | -                                     | -            |
| Great British Racing Limited                 | 911                    | 969          | -                                     | 10           |
| British Horseracing Database Limited         | 5,312                  | 5,365        | 5,327                                 | 5,380        |
| Crimestoppers Enterprises Limited            | -                      | -            | 9                                     | 9            |
| British Champions Series Limited             | 489                    | 595          | -                                     | -            |
|  | 12,577                 | 7,755        | 5,298                                 | 5,387        |

|  | Receivables outstanding |              | Creditors outstanding |              |
|--|-------------------------|--------------|-----------------------|--------------|
|  | 2018<br>£000            | 2017<br>£000 | 2018<br>£000          | 2017<br>£000 |
| Racecourse Association Limited               | 8                       | 9            | -                     | -            |
| Racehorse Owners Association Limited         | 5                       | 27           | -                     | -            |
| Thoroughbred Breeders' Association           | 1                       | -            | -                     | -            |
| The Hamilton Park Racecourse Company Limited | -                       | -            | -                     | -            |
| Fakenham Racecourse Limited                  | -                       | -            | -                     | -            |
| National Trainers Federation                 | -                       | -            | 1                     | -            |
| Horsemen's Group loan                        | 200                     | 200          | -                     | -            |
| Horsemen's Group loan provision              | (125)                   | (200)        | -                     | -            |
| Point-to-Point Authority Limited             | -                       | 44           | -                     | -            |
| Retraining of Racehorses Limited             | 333                     | 171          | -                     | -            |
| Racing to School Limited                     | 110                     | 62           | -                     | -            |
| Jockey Club Racecourses Limited              | 7                       | -            | 1                     | -            |
| Jockey Club Estates                          | -                       | -            | -                     | -            |
| Racing Welfare                               | -                       | -            | -                     | -            |
| Horserace Betting Levy Board                 | 39                      | 1            | -                     | -            |
| Great British Racing Limited                 | 282                     | 180          | -                     | -            |
| British Horseracing Database Limited         | -                       | -            | 68                    | 71           |
| Crimestoppers Enterprises Limited            | -                       | -            | -                     | -            |
| British Champions Series Limited             | 2,024                   | 2,078        | -                     | -            |
|  | 2,884                   | 2,572        | 70                    | 71           |



All figures within the document are correct as of 25 September 2019.

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