



2006/07 ANNUAL REPORT



JOHN SMITHS
englandsnorthwest
RACING AHEAD
JOHN SM



TO HER MAJESTY'S SECRETARY OF STATE FOR CULTURE, MEDIA AND SPORT

July 2007

In pursuance of Section 31 of the Betting, Gaming and Lotteries Act 1963, we, the undersigned Members of the Horserace Betting Levy Board, have the honour to present herewith the reports with Financial Statements of the Horserace Betting Levy Board and the Horserace Totalisator Board, for the year 1st April 2006 to 31st March 2007.

Robert Hughes CBE, Chairman

Chris Deuters, Deputy Chairman

Penny Boys CB

David Thorpe

Paul Dixon

Nic Coward

Peter Jones

Christopher Bell

Sir Tristram Ricketts Bt, Chief Executive

Statement of responsibilities

HBLB Board Members and Executives

Members

Robert Hughes CBE

Chairman, Appointed by the Secretary of State

Chris Deuters

Deputy Chairman, Appointed by the Secretary of State

Penny Boys CB

Appointed by the Secretary of State

David Thorpe

Appointed by the Jockey Club

Paul Dixon

Appointed by the Jockey Club

Nic Coward

Appointed by the Jockey Club

Peter Jones

Ex Officio Chairman, Horserace Totalisator Board

Christopher Bell

Ex Officio Chairman, Bookmakers' Committee

Executives

Sir Tristram Ricketts Bt

Chief Executive

Godfrey Ayres

Deputy Chief Executive

Stephen Haywood

Financial Controller

David Bradshaw

Racing Executive

Libby Archer

Scientific Liaison Executive

Statement of responsibilities of the Members and Chief Executive of the Horserace Betting Levy Board

The Members and Chief Executive are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. The Betting, Gaming and Lotteries Act 1963 (as amended) requires the Horserace Betting Levy Board to prepare Financial Statements for each levy period. In preparing these Financial Statements, the Members and Chief Executive are required to:

- Observe the Accounts Direction issued by the Secretary of State for the Department for Culture, Media and Sport, including the relevant accounting disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed in accordance with the Government Financial Reporting Manual and disclose and explain any material departures in the Financial Statements, and;
- Prepare the Financial Statements on a going concern basis, unless it is inappropriate to presume that the Board will continue in operation.

The Members and the Chief Executive are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the Board and enable them to ensure that the Financial Statements comply with the relevant legislative framework. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Chief Executive is the Accounting Officer for the Horserace Betting Levy Board. His relevant responsibilities as Accounting Officer, including propriety and regularity of the public finances and for keeping proper records, are set out in the Non-Departmental Public Bodies Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

Functions of the Board

The Horserace Betting Levy Board is a corporate body, operating in accordance with the provisions of the Betting, Gaming and Lotteries Act 1963 (as amended).

The Board is charged with the duty of assessing and collecting monetary contributions from bookmakers and the Horserace Totalisator Board, and with applying them for purposes conducive to any one or more of:

- the improvement of breeds of horses;
- the advancement or encouragement of veterinary science or veterinary education;
- the improvement of horseracing.

OFFICES

52 Grosvenor Gardens,
London SW1W OAU
Tel: 020-7333 0043
Fax: 020-7333 0041
E-Mail hblb@hblb.org.uk
Web Site www.hblb.org.uk

BANKERS

HSBC

89 Buckingham Palace Road,
London SW1W 0QL

AUDITORS

PKF (UK) LLP

Farringdon Place, 20 Farringdon Road,
London EC1M 3AP

SOLICITORS

Herbert Smith

Exchange House, Primrose Street,
London EC2A 2HS

Harbottle & Lewis

Hanover House, 14 Hanover Square,
London W1R 0BE

Burges Salmon

Narrow Quay House, Narrow Quay,
Bristol BS1 4AH

A difficult year for the racing industry



Robert Hughes CBE
Chairman

Whilst it is easy enough to give a retrospective view of the Board's work in a report like this, it becomes increasingly difficult to predict the future, such is the continuing volatility in our sport, especially where its funding is concerned. It is a pity that such instability still exists because in many other respects the sport is facing up well to the challenges that it faces.

First some farewells and hellos. Both Sir John Robb and Keith Elliot stepped down from the Board last autumn, having done sterling service and given me all the support that I could have asked for. The other significant departure was that of Warwick Bartlett as Chairman of the Bookmakers' Committee. I have thoroughly enjoyed working with them all. They have been succeeded by Chris Deuters, as Deputy Chairman, and Penny Boys, who have not taken long to find their feet and make a valuable contribution to the Board's work. Chris Bell has made a welcome return as Chairman of the Bookmakers' Committee. We have also said farewell to Greg Nichols, Chris Brand and Stephen Crown. I thank them all.

As a result of the Secretary of State's decision not to abolish the Board, we are having to restructure at staff level in order to make us "fit for the future". Regrettable as it is, this has inevitably led to some redundancies amongst our loyal and hardworking staff. In some ways it is even harder to prepare for the future than it was to prepare for abolition.

Notable landmarks this year have been the sale of HFL and, following the Secretary of State's decision, the Review of Levy Legislation and Procedures conducted by Lord Donoughue, to which I was party. Of particular importance is the opportunity this gives to minimise, as far as is possible within

the existing legislation, the incidence of referrals of Levy Schemes to the Secretary of State for determination. I commend everyone concerned for the pragmatic and sensible way in which the 2006 levy settlement was reached.

Real progress has been made with the restructuring of Racing's governance and regulation and before long the BHA should be up and running. I welcome both Paul Roy and Nic Coward to their new roles and I look forward to working with them. As part of a process of divesting the Levy Board of all but its core functions, a close working relationship with all the representative bodies in the racing industry will continue to be of great importance. I do however have a concern that, with the demise of BHB, a coherent and consistent approach to the commercial aspects of the sport may be lost. The fact is that Racing has a hybrid funding regime, a combination of the Levy and other sources of income, and as long as that pertains it is essential that a coordinated approach is taken, subject of course to the requirements of competition law. The issues arising following the inception of Turf TV have demonstrated how important this is likely to be in the future.

The other cause for concern is the way in which, whenever there is a problem concerning the Industry, one side or the other has immediate recourse to the Minister for Sport, embroiling him in matters which should properly be resolved by the parties themselves. The whole idea of having a statutory body responsible for a significant element of the funding of the sport is in order to distance the Government from such day to day issues. The current Minister, Richard Caborn, has been a great friend to the Racing and Betting Industries and that very welcome support should not be abused.

Chairman's statement

With the continuation of the Levy and the ongoing search for a commercial approach to future funding, conflicts and anomalies are bound to arise. It is more urgent than ever, therefore, that not only does the Racing Industry speak with one voice but that a positive and productive relationship is established with one of our primary customers, the bookmakers. Both parties have so many interests in common. They both want to serve in the most effective way our ultimate consumers, the racegoing and betting public, and they both want the sport to survive and thrive. The time has come (and how often has this been said) to spend rather more time on baking a bigger and better cake than worrying about how the old stale one is shared out.

A handwritten signature in black ink that reads "Robert Hughes". The signature is written in a cursive, flowing style.

Robert Hughes CBE
Chairman

A roller coaster of a year



Sir Tristram Ricketts Bt
Chief Executive

The Levy Board had a roller coaster of a year in 2006/07, reflecting the rapidly changing environment in which the Racing and Betting Industries continue to operate. On the plus side, there were the Government's decision to retain the Levy; the successful sale of the Horseracing Forensic Laboratory (HFL); an important contribution to a deal for continuing racing coverage on Channel 4 over the next three years; and, reassuringly, another year of quality racing both on the Flat and over Jumps. Among the minuses were another reduction in Levy income; a further fall in British Horseracing's share of the betting market; a consequent major reduction in the Board's contribution to Prize Money in 2007; delay in getting the new British Horseracing Authority off the ground, not least because of difficulties in resolving some very complex pension issues; and serious threats to future Levy income arising from dramatic changes in the Betting Shop picture market. An interesting balance sheet!

Perhaps the most memorable single date in the year was 14th December 2006, when the Minister for Sport signalled the reprieve from the death sentence imposed on the Board in March 2000. Richard Caborn announced, after extensive review and consultation, including by Lord Donoghue's Future Funding of Racing Review Group, that "given the importance of the present statutory system, the Government have decided to retain the Levy until such time as a secure and adequate commercial funding arrangement can be identified". The Minister added that the Government intend to repeal the section of the existing legislation providing for the Board's abolition and to consult stakeholders on the modernisation of the Levy mechanism. The Board looks forward to playing a full part in that important consultative process.

As an immediate consequence of the Government's decision to retain the Levy, the Board initiated a detailed review of its own administrative structure, which had remained largely unchanged throughout the period when closure was planned. A new structure, reflecting skills and experience appropriate to the Board's functions and operating environment going forward, is now being put in place. Sadly, we are saying farewell to a number of staff, many of them long-serving, among them one senior executive, Libby Archer. The Board thanks them all for their contribution and wishes them well for the future.

The Board's own programme of modernisation fits well with a major shake-up in Racing's administrative structure, which was actively encouraged and supported by the Minister as he deliberated about the future of the Levy. The establishment of the British Horseracing Authority as the unified governance and regulatory body for Racing is looked forward to with eager anticipation. Regrettably its launch has been delayed by, principally, the need to resolve some complex pensions issues. Happily, the principles, including a £6.45m capital injection by the Board from the HFL Sale Proceeds and the terms of a conditional Guarantee from the Board have now been agreed and it is expected that BHA will be formally constituted very soon after publication of this Report.

The emergence of BHA and the Government's Levy announcement influenced the Board's decision to go 'back to basics' and concentrate on its core function of Levy collection and distribution. A start was made with the successful sale in January 2007 of HFL Ltd, the net proceeds from which of some £17m are available for investment in worthwhile, principally 'legacy' projects of

Chief Executive's review of the year

benefit to the Industry. This welcome release of capital was complemented by formal commercial contracts between the new owner and the Regulatory Authority, safeguarding the continuing provision of top quality drug screening and research services, which are key to the maintenance of very high integrity standards.

Hopes that the National Stud would, as planned for some time, end up in an independent charitable trust during the year were dashed in February 2007, when financial issues caused the move to be put on hold. The Board agreed, in line with its commitment to Government in 1963 to meet the Stud's working losses, to provide a short term overdraft facility while other options are reviewed. A decision is expected in July 2007.

Of the two other bodies with which the Board is directly involved, the Independent Betting Adjudication Service will be corporately restructured in due course, following a change in its funding structure. A welcome increase in SIS funding, on behalf of sectors of the Betting Industry, has enabled the Board and Trinity Mirror to cease their contributions. The Board also expects to withdraw from the National Joint Pitch Council later this year following the transfer of responsibility for approving racecourse betting areas and administering the betting rings to other parties on 1st September 2007 when the Gambling Act 2005 is fully implemented.

The Forty-Sixth Levy Scheme 2007/08 was agreed between the Board and the Bookmakers' Committee in mid-September 2006, a welcome advance on 2005 when discussions went to the wire on 31st October. Worryingly, the yield from the Forty-Fifth Scheme 2006/07, at £90m, was less than that from the previous year, notwithstanding the continuing expansion

of the Fixture List, which is being further increased in 2007, principally to accommodate additional evening fixtures when the betting shops are open in the winter. These income restrictions led regrettably, but inevitably, to a significant reduction in the Board's contribution to Prize Money, from £62.5m in 2006 to £55m in 2007. This in turn led to a delay in the implementation of recommendations for changing the Merit Table arrangements which govern the calculation of Basic Daily Rates. They will, however, be introduced in 2008, with more emphasis being placed on the generation by each racecourse of off-course betting gross profit and turnover and on the level of the racecourse executives' own contributions to Prize Money, including through sponsorship.

The still very significant, albeit reduced, allocation to Prize Money was again complemented by sizeable investments in other areas. Notable among these were the Board's contribution to Integrity costs, Industry training and Veterinary Science and Education. Retaining the confidence of the punter and the participants through the protection of the integrity of Racing, ensuring the development of a well trained and motivated workforce for the Racing and Breeding Industries and continuing Equine Welfare improvements remain high on the Board's agenda.

Also of continuing importance are comfort and safety on the racecourse. The Board continued to make significant investments from its Capital Fund at racecourses, large and small. Of the major projects, the new Derby and Sefton Stands at Aintree were widely regarded as a triumph. Elsewhere, remedial work was regrettably needed to the spectacular redevelopment at Ascot opened at the 2006 Royal Meeting, to deal

with viewing difficulties from areas of the concourse and the lawn, while the opening of Great Leighs continued to be postponed after construction delays during particularly wet winter periods.

Storm clouds of a different kind continue to threaten Levy income. From a peak of £102m in 2003/04, the yield has already fallen to £90m, with Racing's market share under continuing heavy pressure. The new landscape following the full implementation of the Gambling Act in September 2007 and changes in the betting shop picture market also have the potential to lead to further decline in Levy revenues, which cannot but concern the Racing Industry. All this calls for a bold and creative collaborative approach between Racing and Betting, a philosophy which is commendably being embraced by the Chairman and the Chief Executive Designate of BHA, Paul Roy and Nic Coward. The Board will participate as appropriate in the BHA's prospective reviews of Industry strategy and objectives, financial priorities and the Fixture List. There is no other practical way forward.

I have always taken the view that what really matters at the end of the day is the quality and appeal of the Sport of Racing, rather than of its politics. As long as the former is high, the latter matters less. The quality of our racing is now very high but there are worrying signs that the politics and threats to income may be on the verge of impacting negatively. All those involved in the administration of our great Sport owe it to our many customers to ensure that this does not happen.

Sir Tristram Ricketts Bt
Chief Executive

Management commentary

FINANCIAL SUMMARY

The Levy yield for 2006/07 is projected at £90m, 1% lower than the £91.1m achieved for the previous year. The Tote's contribution increased from £8.2m to £8.7m.

The breakdown of the yield from the 44th and 45th Schemes is as follows:

Levy Scheme	06/07	05/06	Change
	£'m	£'m	%
	45th(est.)	44th	
Off-Course Bkmrs			
Cash	67.6	68.7	-2
Telephones	9.0	10.1	-11
Internet	6.8	5.8	+17
Betting Exchanges	6.1	5.4	+13
On-Course Bkmrs	0.4	1.0	-60
Spread Betting Bkmrs	0.1	0.1	=
Total	90.0	91.1	-1

The Board's Consolidated Income and Expenditure Account for the year ended 31st March 2007 shows a small deficit of £87,000, compared to a restated deficit of £10m in 2005/06. The significantly improved results arise primarily from the sale of the Board's subsidiary HFL Ltd, the net effect of which was to add £3.3m to the Income and Expenditure Account and £17m to the Board's cash balances. Other Income and Expenditure Account improvements arose from expenditure savings and the release of part of the redundancy provision set aside in anticipation of the Board's planned closure which is not now going ahead.

In addition to expenditure detailed elsewhere in this Report, the Board continued to make significant inroads into its Retirement Benefits Scheme's funding deficit by making a further £3.3m

contribution to the Trustees in accordance with the Prudential's Structured Buy-Out policy. It is now projected that significantly reduced funding instalments will be required to fully fund the Scheme by September 2009, when the policy terminates.

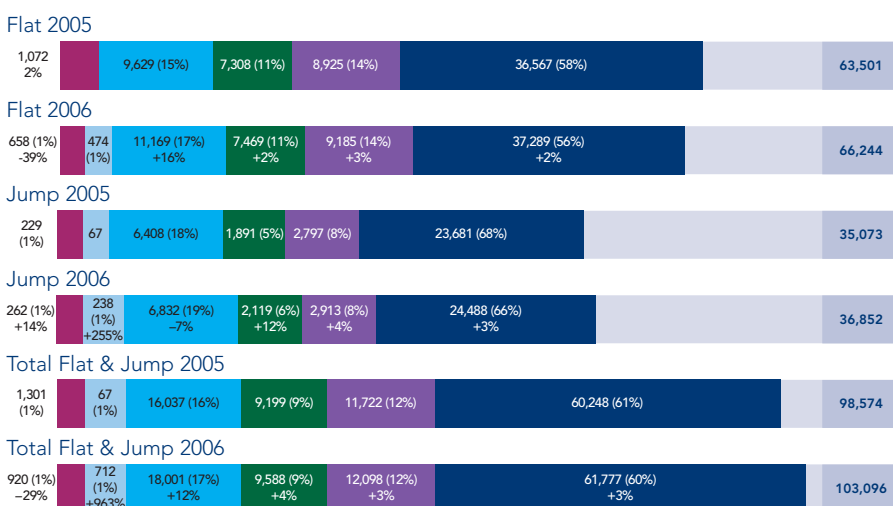
Expenditure 2006/07		£'000	
	Prize money	65,394	(61%)
	Integrity services	24,013	(23%)
	Other racecourse expenditure	8,825	(8%)
	Administration	3,372	(3%)
	Veterinary	2,214	(2%)
	Improvement of breeds	1,682	(2%)
	Training	902	(1%)
	Other improvements (net)	(450)	
	Bookmakers' Committee	200	
Total		106,152	



Trevor Jones/Thoroughbred Photography

TAKEOVER TARGET ridden by Jay Ford, centre of picture in white cap and white sleeves, winning the King's Stand Stakes on the first day of Royal Ascot 2006.

Contribution to prize money £'000 **Total**



Key



Prize money 2007 **£'000**

Allocation based on	
betting turnover	4,125

Flat

Basic Daily Rate	29,524
Seventh Races	923
Apprentice Races	78
Sub total	30,525

Jump

Basic Daily Rate	19,759
Seventh Races	591
Sub total	20,350

Grand Total **55,000**

Improvement of horseracing



AINTREE The new horse walkway to the unsaddling enclosure, which passes under the new grandstand.

RACECOURSE MODERNISATION

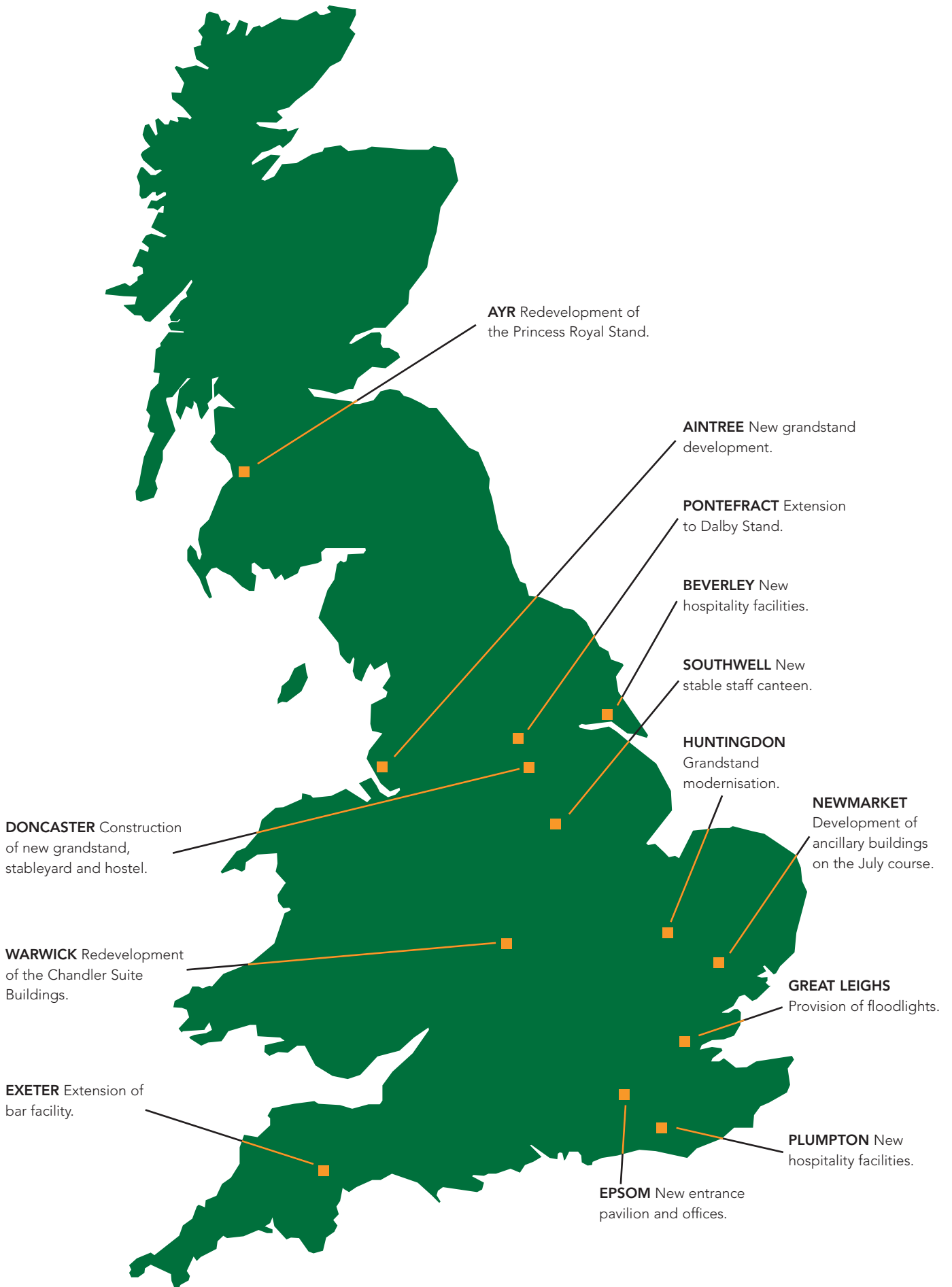
During the year, the Board approved, by way of loans, £14.9m towards capital projects at racecourses and capital grants of £29.8m for use in racecourse improvement schemes.

Interest-free loans were made available to 13 racecourses for the improvement of racecourse facilities. The most significant of these were the new grandstands at Aintree (£2.5m) and Doncaster, including a new stableyard and hostel (£2m); a new entrance pavilion and associated works at Epsom (£3m); the extension of the Dalby Stand at Pontefract, providing new hospitality boxes (£900,000); and the extension and renewal of the enclosures and ancillary buildings at the Newmarket July Course (£2m). Other grandstand related projects include modernisation works at Huntingdon (£750,000) and Warwick (£800,000) and the redevelopment of the Princess Royal Stand at Ayr (£700,000).

Smaller loans were made available towards hospitality facilities to Beverley (£200,000) and Plumpton (£75,000); the extension of the Romany King Bar at Exeter (£100,000); and a new stable staff canteen at Southwell (£80,000).

The loan made available towards the provision of a floodlighting system at the All Weather Track at Great Leighs (£1.8m) was rescheduled to 2006/07.

Racecourse modernisation



Racecourse modernisation



EPSOM The demolition of the Rosebery Stand and the construction of a new entrance pavilion and footbridge completed phase 1 of the planned improvements.



Racecourse modernisation

Mark Johnston



EXETER The Romany King Bar in the Haldon Stand has been extended to reduce overcrowding.



PONTEFRACT New extension to the Dalby Stand.

Racecourse modernisation

WARWICK The redeveloped Chandler Suite Buildings.



AINTREE Contrasting views of the stunning new grandstand complex.

Racecourse modernisation



SOUTHWELL New stable staff canteen.



NEWMARKET New ancillary buildings at the July Course.

Improvement of horseracing

INTEGRITY OF RACING

The Board's continued emphasis on maintaining public confidence in the integrity of racing was reflected in the £24.0m expended under this heading (2005/06: £18.2m). This sum was second only to the Board's investment in Prize Money.

The Board reimbursed to racecourses a total of £14.6m in respect of the BHB/HRA Fixture and Regulatory Fees (2005/06: £9.3m). These fees cover the cost of licensed officials, the security and veterinary field forces and regulatory head office costs, facilitating the maintenance of the highest integrity standards. The increase in expenditure over 2005/06 arose from the increased fixture list and the Board's agreement to fund the HRA's head office regulatory costs, as well as its proportion of the Jockey Club Pension Scheme deficit.

Also included in the grants is support for the HRA's Counter Analysis Advisory Committee and the European Horseracing Scientific Liaison Committee.

Drug testing and research services were provided to the HRA by HFL. The revenue cost to the Board in 2006/07 totalled £3.8m (2005/06: £3.6m).

The Board also continued to provide grants to racecourses for the provision of camera patrol and photo finish services. Grants for this purpose totalled £5.4m (2005/06: £5.0m).

INDUSTRY TRAINING AND EDUCATION

The Board's commitment to racing and breeding industry education and training programmes continued in 2006/07.

The racing industry enjoyed a 3.5% increase in the grant to the British Horseracing Education and Standards Trust (BHEST) to £692,000. The grant continued to support vocational training, to NVQ2 level, of 16 to 18 year old students at the British Racing School and the Northern Racing College (NRC) towards employment as stable staff in racing yards, and NVQ1 training at the Scottish Racing Academy (a collaboration between Oatridge College and the NRC). Other activities that continued to benefit from the grant included stable staff recruitment, short courses to prepare students in equine colleges for employment in racing yards and professional development for jockeys through continuation courses for apprentices and conditionals and the Hands 'n' Heels race series.

The grant also supports the BHEST's schools Education Programme, which contributes to delivery of the National Curriculum while introducing young people to racing. The Programme continues to

maintain its reputation as one of Britain's leading industry-school learning partnerships and a feasibility study funded by the Board in 2004 made a strong case for its development. In consequence, the BHEST prepared a plan to expand the Programme from participation by 8,000 students a year in 2005 to 20,000 a year over the five years to 2010. The Board increased its support by £50,000 a year from 2005/06 to facilitate the expansion and £218,484 was applied to the Programme in 2006/07, in which 10,000 students participated.

The preparation of learners for careers in Thoroughbred breeding through courses run centrally for the breeding industry by the National Stud was supported for a fourth successive year with a grant of £209,767 for the 2006 calendar year. This supported the internationally renowned National Stud Diploma course, the Foundation Modern Apprenticeship, short term work experience programmes for school, college and veterinary students and the development of the new Stud Secretaries' course, introduced in 2006 and hailed as a success.

In further support of Thoroughbred breeding, the Board contributed to the Stud Staff Project for a second year in 2006. The project is a central initiative taken by the TBA to implement the recommendations on the employment, retention and development of stud staff of the 2004 Report of the BHB Stable and Stud Staff Commission. In 2005, the TBA established a new post dedicated to the management of the Project. The Board's support for the calendar year 2006 was a direct grant of £19,226, adding to substantial funding made available the previous year for the Project for 2005 and 2006 from a top-slice from the 2005 Breeders' Prizes Fund. The Board's funds support the operating costs of the Project; the TBA supports the employment costs of the dedicated manager.

Overall, support for the recruitment, retention and professional development of racing and breeding industry staff remains a high priority for the Board and provides substantial underpinning for this important area of the industries' interests.

PRIZE MONEY SCHEME

The Prize Money Scheme for the calendar year 2007 was framed within an allocation of £55m, a decrease of £7.5m on the 2006 level of £62.5m. This regrettable reduction was a direct result of the sharp decline in the Board's income.

Full Basic Daily Rate (BDR) funding is being provided in 2007 for Criteria Fixtures (two afternoon fixtures on Mondays and Tuesdays, three on Wednesdays, Thursdays

and Fridays, four/five on Saturdays and Bank Holidays and two/three on Sundays) and for Reserve Criteria Fixtures (third fixtures on Mondays and Thursdays from January to April and September to December, and AWT fixtures in the main AWT season not designated as Criteria Fixtures). Funding of 80% is provided for all evenings, except single evening fixtures. Funding of 50% is available for all other fixtures with the exception of BHB National fixtures which receive between £20,000 and £50,000.

The racecourse BDRs, details of which are shown on the Board's website, www.hblb.org.uk, were computed in accordance with current Merit Table arrangements, which comprise three elements:

- a merit award computed by reference to a Merit Table based on the latest three year average amount of executive and sponsorship contributions to Prize Money,
- an element comprising £4.125m allocated by reference to the off-course betting turnover generated by each racecourse, and
- an underpinning element relating to the number of fixtures in the 2007 Fixture List. For 2007, the Flat BDR for AWT racecourses during the main winter period was set at £35,200.

SEVENTH AND APPRENTICE RACE SCHEMES

The allocation to the 2007 Seventh Race and Apprentice Race Schemes was reduced from the 2006 level to £1.5m and £78,000 respectively.

FIXTURES INCENTIVE SCHEME

The allocation to the 2007 Fixtures Incentive Scheme was reduced to £5.85m from £6.75m in 2006 (excluding Regional Racing fixtures).

ABANDONMENT PAYMENT SCHEME

The 2007 Scheme provides for the reimbursement to the racecourse of £10,000 following abandonment of a raceday. £570,000 was reimbursed to racecourses under these arrangements in 2006.

ALL WEATHER TRACKS

The Board continues to support racing on AWTs and the eighteenth AWT season comprises a total of 121 afternoon meetings scheduled from 1st January to 21st March and from 11th November to 31st December 2007. In addition, the Board is funding 28 evening meetings and 4 'Twilight' fixtures between 6th January and 27th December 2007.

APPEARANCE MONEY SCHEME

The Board's allocation for Appearance

Improvement of horseracing

Money in 2007 was reduced to £1.5m from the 2006 level of £3.1m. This level of reduction was a consequence of the Industry's desire to minimise the decrease in the Board's contribution to the main Prize Money Fund. From 1st January 2007 owners who run their horses at any Sunday fixture receive a guaranteed payment of £140 per runner, with deductions for trainer, jockey and stable staff. Owners who run their horses in Flat Conditions Stakes and selected Novice Chases will receive

payments of £250 and £300 per runner. Flat horses rated 50 or lower do not qualify for Appearance Money in 2007.

POINT-TO-POINT MEETINGS

In 2006, the Board continued its support for Point-to-Points with a grant of £325,000, unchanged from 2005. The Board provides funding to ensure that the provision of veterinary, medical and security services, as well as course maintenance, remains of the highest standard.

DIVIDED RACE FUND

The Board's allocation to the 2007 Divided Race Fund, which provides additional opportunities to the horse population, was reduced to £950,000 from £1.1m in 2006.

TRAINING AREA IMPROVEMENT GRANTS

During 2006/07, the Board made available, on a matched funding basis, a grant of £250,000 to Jockey Club Estates for the replacement of the All Weather Short and Back of the Hill Gallops at Mandown, Lambourn.



LAMBOURN Horses training on the refurbished gallops.



NEWMARKET Students under instruction at the British Racing School.

Breeds & veterinary

WORKING TO IMPROVE BREEDS

Board funding for the improvement of breeds of horses embraces the Thoroughbred via the Breeders' Prizes Scheme and other breeds important to the national heritage through grants to individual breed societies. A report on the National Stud is contained on pages 45 to 52.

BREEDERS' PRIZES SCHEME

The Board's grant for Breeders' Prizes in 2007 comprises a basic allocation of £1.8m, unchanged from 2006, and a £232,000 transfer from the underspend on the 2006 Scheme.

Breeders' Prizes on the Flat are payable to qualifying winners of all Class 1-4 races and Class 5 Maiden and Novice races, with the level of payment dependent on the distance over which the race is run. Payments for fillies and mares will be 100% more than for colts and geldings, subject to differential caps, although winners of races restricted to fillies and mares will not qualify for the 100% additional payment.

Breeders' Prizes for NH racing are payable to qualifying winners of Class 1-4 Steeplechases (existing Class 4 Handicaps), NH Hurdle races in Classes 1-4, all NH Flat races and Class 1 Hurdle races. In order to provide significant incentives for NH fillies and mares, prizes of up to £10,000 will be available.



SIR PERCY by Mark of Esteem out of Percy's Lass (Blakeney) and bred by the Old Suffolk Stud, won all four of his races at two prior to finishing second in the 2000 Guineas and winning the Epsom Derby as a three year old.

Trevor Jones/Thoroughbred Photography

Society	Grant £
British Percheron Horse Society	16,300
Cleveland Bay Horse Society	14,050
Clydesdale Horse Society	12,100
Hackney Horse Society	15,440
Irish Draught Horse Society (GB)	18,080
Shire Horse Society	40,900
Suffolk Horse Society	19,900
Dales Pony Society	7,550
Dartmoor Pony Society	6,600
Exmoor Pony Society	5,800
Fell Pony Society	5,700
Highland Pony Society	3,700
Welsh Pony and Cob Society	5,800
Total	171,920

GRANTS TO BREED SOCIETIES

Support for rare native and heavy breeds of non-Thoroughbred horse and pony continued in 2006/07 at £171,920 (2005/06: £159,737). Grants were made to 13 breed societies and were used to preserve the breeds and maintain high standards in pure-bred breeding, principally through stallion, mare and foal premiums and a range of other breed improvement activities.

ADVANCING VETERINARY SCIENCE AND EDUCATION

In May 2006, the Board committed £1.8m to veterinary science and education for October 2006 to September 2007 with the aim of improving the health and welfare of racing and breeding Thoroughbred horses (2005/06: £1.9m). The Board is advised on this investment by its Veterinary Advisory Committee (VAC), which consults with the HRA Veterinary Committee and the British Equine Veterinary Association to ensure that funds are directed towards the Thoroughbred's needs and priorities.

Several changes in VAC membership took place during the year. Mr John Parker (Private Practitioner, Wendover) and Professor Claire Wathes (Royal Veterinary College) retired after 15 and 8 years' valuable service respectively and Mr Chris Rea (Private Practitioner, Tewkesbury) joined the Committee. Mr Parker was Chairman of the Sub-Committee on the Codes of Practice on Equine Venereal Diseases and a member of the Education Sub-Committee, which was Chaired by Professor Wathes. Mr Rea was appointed as Chairman of the former and Professor Tim Skerry (University of Sheffield) as Chairman of the latter.

Of the £1.8m budget for 2006/07, £1m was applied to eight new equine veterinary research projects. In a new arrangement with the TBA, under which it may co-fund a veterinary award with the Board in any year, the Association contributed £75,000 to a new project on the development of a diagnostic immunoassay for larval cyathostomiasis. As an ad-hoc arrangement, the European Breeders' Fund contributed, at £23,500, to another new project, on the differentiation of virulent and commensal *Streptococcus zooepidemicus* from equids. The other six projects concern equine endotoxaemia, joint injuries in the Thoroughbred, the regulation of pancreatic endocrine function, the development of an *in vitro* model of equine muscular disease, markers of lateral condylar fracture and the development of a portable videoendoscope for field assessment of respiratory disorders in the Thoroughbred.

£342,000 was applied to post-graduate equine veterinary education in the form of two new Veterinary Research Training Scholarships at the Universities of Liverpool and Nottingham and two new Senior Equine Clinical Scholarships, awarded to the Universities of Liverpool and Edinburgh. £287,151 was applied to equine infectious disease surveillance and epidemiology programmes at the Animal Health Trust (AHT), including the Equine Influenza Programme, which underpins the HRA's



Equine influenza virus.

mandatory vaccination policy for racehorses. The balance was applied to, among other purposes, the publication and distribution of the annual Codes of Practice on equine venereal diseases (£19,000), sponsorship of the annual Thoroughbred Racing and Breeding Seminar at Cheltenham racecourse (£15,500), travel grants (£10,000), sponsorship for the annual BEVA Congress (£1,675) and publication of the Board's annual veterinary newsletter (£4,700). For the first time, an allocation was made, at £5,000, to support a new HRA-led group to be established in 2007 to address ethical issues relating to or arising from scientific research for the Racing and Thoroughbred Breeding Industries.

£10,000 drawn from a saving in prior year veterinary budgets was allocated to continue supporting the development of the HRA Training and Welfare System, an internet-enabled initiative now in the pilot stage that will ultimately enable racehorse trainers to monitor and improve the health of horses in their care by reference to their own training and veterinary records and by anonymous comparison to those of other trainers.

Following the Minister for Sport's statement, made as part of his March 2005 announcement of the extension of the levy to 2009, that the Government wished "to see the Board, while it continues in being, take over the funding commitments previously given by the British Horseracing Board in respect of the Equine Fertility Unit and the equine genome project", funding for both purposes was put in place in 2005/06. Support continued in 2006/07; funding at £300,000 was approved for the core running costs of the Equine Fertility Unit, which is owned by the TBA, for a second year and a grant of £350,993 was made available for the second year of the joint AHT and Royal Veterinary College Equine Genetics Programme, to which the TBA also contributed, at £75,000. The TBA wishes to relinquish ownership of the Equine Fertility Unit and began, in 2006/07, to address, at the request of the Board, the

questions of the Unit's future ownership, including the possibility of linkage to an academic institution, and the succession of the current Director of the Unit, Professor Twink Allen, on his retirement in late 2007.

Last year's report referred to the future option, identified following a review of the sources, distribution and management of all funding available within the Racing and Breeding Industries for equine veterinary science, of forming a single pool of all available funds for central allocation and management. While there was industry support for the concept, a more urgent priority arose during the year, i.e. to review current industry support specifically for work on equine infectious diseases at the AHT. This includes regular funding from owners, breeders and the Board. Industry priorities were identified and are now being discussed with the AHT.

In addition to its involvement in the funding programmes described above, the VAC carried out its normal range of other activities in 2006/07. These included visitations to the University of Cambridge and the Animal Health Trust and Equine Fertility Unit.

Professor Os Jarrett is stepping down from the Chairmanship of the Committee on 30th June 2007, when he will be succeeded by Professor William Donachie. The Board wishes to place on record its appreciation of the valuable contribution made by Professor Jarrett during his ten years of service to the VAC, as a member for seven years and latterly as Chairman for three years.

VETERINARY ADVISORY COMMITTEE

Professor Os Jarrett BVMS PhD MRCVS FRSE (*Chairman*)

Professor William Donachie BSc PhD CBiol FIBiol (*Vice Chairman*)

Dr Celia Marr BVMS MVM DEIM DipECEIM MRCVS

Professor Peter O'Shaughnessy BSc PhD
Mr John Parker MA VetMB FRCVS (*retired 30th June 2006*)

Mr Chris Rea BVM&S MRCVS (*appointed 1st July 2006*)

Professor Tim Skerry BVetMed PhD CertSAO FRCVS

Dr Geraldine Taylor BSc PhD
Mr John Walmsley MA VetMB CertEO DipECVS HonFRCVS

Professor Claire Wathes BSc PhD DSc (*retired 30th June 2006*)

Libby Archer BSc (Hons) (*Secretary*)

Other activities

NATIONAL JOINT PITCH COUNCIL (NJPC)

The Board delegates to the NJPC responsibility for the administration of the on-course betting rings, in accordance with its National Pitch Rules (NPR). This remit was again fulfilled successfully in 2006/07. The Council again recommended to the Board a number of amendments to the NPR to ensure that the on-course betting market remains competitive and its administration continues to be of the highest standard. Copies of its 2006 Annual Report may be obtained from www.njpc-ltd.co.uk

INDEPENDENT BETTING ADJUDICATION SERVICE (IBAS)

The Board again made a financial contribution to the costs of IBAS of £65,000 (2005/06 £71,000). Following a review of the funding structure for the service, SIS offered to increase significantly its financial commitment from 1st January 2007, enabling the other two principal contributors, the Board and Trinity Mirror, to cease their contributions. Copies of IBAS's 2006 Annual Report may be obtained from: The Secretary, IBAS, PO Box 44781, London SW1W 0WR or from www.ibas-uk.com

CHARITABLE DONATIONS

Each year, the Board makes donations to charities associated with racing, equine welfare and gambling. Five charities were supported in 2006/07, with donations of £5,000 being made to each of Racing Welfare, the Mark Davies Injured Riders Fund, the Spinal Injuries Association, the Responsibility in Gambling Trust and the International League for Protection of Horses.



Trevor Jones/Thoroughbred Photography

MONSIGNOR Winner of The Royal & Sun Alliance Hurdle at Cheltenham in 2000, is now retired and works as an ambassador for HEROS, the Homing Ex-Racehorses Organisation Scheme run by the charity ROR – Retraining of Racehorses.

RETRAINING OF RACEHORSES

The Board also supports the BHB charity, Retraining of Racehorses, the aims of which are to raise funds to provide and maintain facilities for the retraining and rehoming of ex-racehorses and to raise the profile of ex-racehorses in the wider equestrian

community in order to promote their adaptability for other equestrian pursuits. The charity is supported by a wide range of sectoral interests in the racing, Thoroughbred breeding and bookmaking industries. The Board's contribution in 2006/07 was £56,000 (2005/06: £54,000).

45th & 46th Levy schemes

THE 45TH LEVY SCHEME

The 45th Levy Scheme (1st April 2006 to 31st March 2007) was agreed between the Board and the Bookmakers' Committee in October 2005.

A bookmaker's 2006/07 Levy contribution is calculated by reference to the gross profit on British Horserace Betting Business (BHBB).

For off-course betting through licensed Betting Offices or Media platforms (cash, telephone or internet) showing a gross profit on BHBB of £80,000 or more per year, a flat percentage charge of 10% applies. Abated charges apply to any licensed Betting Office/Media platform with gross profits of less than £80,000.

The levy for on-course betting is charged at a flat fee of £182 plus a fixed ring charge for each racecourse attendance (either £4 or £8 depending on the location of the Ring). On-course bookmakers who use and/or operate a betting exchange are also liable to pay levy at a rate of 10% on their gross profits derived from BHBB.

The levy payable by bet-brokers including betting exchanges is charged on a basis equivalent to 10% of their gross profits, defined as gross commission on BHBB deducted from the winnings paid out to bettors and bet-takers. Spread betting business was charged at 2% of gross profits.

Bookmakers who conducted BHBB on Point-to-Point and/or harness racing and/or trotting events paid a fixed contribution of £146.

The default percentage is the percentage assumed to be attributable to British horseracing business to be used on Forms of Declaration by those bookmakers unable to identify the exact figure for their particular business. The figure for the 45th Scheme was derived by taking the actual outturn of such business as reported by Coral,



CHELTENHAM The packed betting ring at the Cheltenham Festival.

45th & 46th Levy schemes

Ladbroke, William Hill, BetFred and Corbett Bookmakers, averaged across their combined licensed betting office estates. The reporting period was the calendar year 2006 and the sample, which included over 6,000 shops, yielded a final figure of 45%, a reduction from the 49% figure which has applied for the last two years

The Bookmakers' Committee wishes to express its thanks to those who have contributed to this exercise over the last three years and to those who will continue to do so.

THE 46TH LEVY SCHEME

The 46th Levy Scheme (1st April 2007 to 31st March 2008) was agreed between the Board and the Bookmakers' Committee in September 2006.

A bookmaker's 2007/08 Levy contribution is calculated by reference to the gross profit on BHBB.

For off-course betting through licensed Betting Offices or Media platforms (cash, telephone or internet) showing a gross profit on BHBB of £82,600 or more per year, a flat percentage charge of 10% applies. Abated charges apply to any licensed Betting Office/Media platform with gross profits of less than £82,600.

The levy for on-course betting is charged at a flat fee of £188 plus a fixed ring charge for each racecourse attendance (either £4 or £8 depending on the location of the Ring). On-course bookmakers who use and/or operate a betting exchange are also liable to pay levy at a rate of 10% on their gross profits derived from BHBB

The levy payable by bet-brokers including

betting exchanges is charged on a basis equivalent to 10% of their gross profits, defined as gross commission on BHBB deducted from the winnings paid out to bettors and bet-takers. Spread betting business is charged at 2% of gross profits.

Bookmakers who conduct BHBB on Point-to-Point and/or harness racing and/or trotting events pay a fixed contribution of £150.

CONTRIBUTIONS FROM THE HORSE RACE TOTALISATOR BOARD

The Board agreed that, for the 45th and 46th Levy periods, the Tote should contribute as if it were a bookmaker in respect of off-course SP and Tote odds, cash, internet and telephone BHBB and, in respect of Tote Direct, at the rate of 10% of gross profits.

THE BOOKMAKERS' COMMITTEE

The main function of the Committee is to recommend annually to the Board the categories, rates, conditions and definitions of the Levy Scheme for the following year and, if appropriate, to revise such recommendations in the light of observations made by the Board.

The Committee's recommendations for the 46th Scheme were similar in most respects to those of the 45th Scheme, although a change was made to the threshold above which Licensed Betting Offices are assessed for Levy at 10% of gross profits (increased from £80,000 to £82,600 in line with RPI).

The Committee's recommendations in respect of the 46th Scheme were accepted by the Board on 20th September 2006. The

Scheme provides for a levy on off-course bookmakers' gross profits derived from their British horseracing business at an overall average rate of between 9% and 10%, incorporating a flat rate of 10% on the most profitable shops and on both telephone and internet betting, with a graduated scale of lower percentage payments for the less profitable shops earning less than £82,600 per annum in leviable gross profit.

Betting exchanges will continue to pay 10% of their gross profits in levy with gross profit defined as the commission collected from customers on British horseracing transactions. Spread Betting operators will continue to pay levy at a rate of 2% of their gross profits on British horseracing.

The fixed annual fee payable by racecourse bookmakers, reintroduced last year, was increased from £182 to £188; there was no change in the attendance fee of £4 in respect of each attendance in the Silver/Minor Rings and £8 in respect of each attendance in other Rings.

Warwick Bartlett stood down as the Chairman of the Committee in November 2006 after over seven years in post. Chris Bell, Chief Executive of Ladbrokes plc, was elected chairman and Will Roseff, of Backhouse Racing Ltd and bet365, was elected vice-chairman in place of Mr Bell. The Committee wishes to record its appreciation of the contribution made by Mr Bartlett during his Chairmanship.

The costs of the Committee, which in 2006/07 amounted to £200,000 (2005/06 £211,000), are met by the Board.

THE BOOKMAKERS' COMMITTEE 2006/07

Christopher Bell Ladbrokes plc (*Chairman from Nov 2006*)

Will Roseff ABB (*Vice Chairman from Nov 2006*)

Warwick Bartlett ABB

Howard Chisholm ABB

Michael Corbett ABB

Martin Cruddace The Sporting Exchange

Neil Goulden Gala Coral Group

David Harding William Hill plc

George Moir NAB

Alan Ross Ladbrokes plc

Ian Spearing William Hill plc

Wilf Walsh Gala Coral Group

Andrew Watson NAB

Group Captain Patrick Nixon (*Secretary*)

ABB: appointed by the Association of British Bookmakers

NAB: appointed by the National Association of Bookmakers

Levy Yield – 10 year record

2006-2007	£90m
2005-2006	£91.1m
2004-2005	£97.3m
2003-2004	£102m
2002-2003	£74.5m
2001-2002	£67m
2000-2001	£55.2m
1999-2000	£53.9m
1998-1999	£51.5m
1997-1998	£55.5m

Levy Payments in advance – £'000 collections performance

2005/06 44th Levy	2006/07 45th Levy
97,805	89,925
94,113 (96%)	90,677 (101%)

■ Legal Payments collectable

■ Legal Payments collected

Policy statement & Corporate Governance

POLICY STATEMENT 2007/08

Introduction

1. Section 24(1) of the Betting, Gaming and Lotteries Act 1963 requires the Horserace Betting Levy Board to assess and collect monetary contributions from bookmakers and the Horserace Totalisator Board, and to apply them for purposes conducive to any one or more of:

- (a) the improvement of breeds of horses;
- (b) the advancement or encouragement of veterinary science or veterinary education;
- (c) the improvement of horseracing.

2. This Policy Statement sets out 2007/08 strategic objectives and, within that framework, income and expenditure policy objectives, which the Board will pursue in its discharge of these statutory obligations. It will continue to review its objectives annually.

3. The Board will continue to monitor the achievement of its objectives and to seek to ensure that it is securing value for money and cost effectiveness.

STRATEGIC OBJECTIVES

4. The Board will support the British Horseracing Authority, as the governing and regulatory body, in its strategic review, with interested parties, of Industry objectives and priorities and will, as appropriate, direct its funding in a manner which facilitates the implementation of the agreed results of that review. In the interim, it will, within current financial constraints, pursue the following complementary strategic objectives:

- (a) to support, as cost-effectively as possible, the provision, countrywide, of horseracing in a form which retains high standards of integrity and is attractive to the racehorse owner, the racegoer and the off-course punter, thus protecting and making optimum use of the Board's levy income;
- (b) to apply funds at an appropriate level to

the improvement of breeds of horses and to veterinary science and education;

(c) to encourage a yet more commercial approach within the racing industry, with a continuing emphasis on modernisation and tight control of central costs.

(d) to seek to achieve a levy agreement covering the year commencing 1st April 2008.

(e) to ensure that the optimum use is being made of the Board's assets for the benefit of racing;

(f) to contribute to the costs of maintaining Channel 4 coverage of Racing in 2007 and 2008 in the interests of generating increased betting activity and enhancing the profile of the sport.

(g) to tailor its financial support for the racing industry so as to incentivise recipients to increase their own direct, or indirect, contributions and to strive to improve their performance against the criteria of the Board's other policy objectives;

(h) to maintain adequate cash balances.

(i) to respond constructively to the consultation process which DCMS will initiate prior to legislating to modernise the Levy and repeal the provisions of the Horserace Betting and Olympic Lottery Act 2004 relating to its previously planned abolition.

(j) to continue to take all appropriate steps to revert solely to its core functions of Levy collection and distribution.

POLICY OBJECTIVES

Levy Board Income

Betting Activity and Levy Rates

5. In order to secure the income through which it discharges its responsibilities, the Board will be prepared to tilt its support for racing in a direction which helps to generate horserace betting turnover and gross profits, thus enhancing the levy and therefore the funds available for pursuing its statutory and policy

objectives, whilst taking proper account of the needs of racegoers, the horse population and all the other interests involved in racing. In this connection the Board recognises the important role played by the Fixture Criteria and the Fixtures Incentive Scheme.

6. The Board will continue to support improvements to the arrangements for punter protection.

FINANCIAL POLICY

7. The Board will not borrow, other than when absolutely necessary for very short term cash flow purposes.

8. The Board will budget during 2007/08 and subsequently for adequate cash balances, sufficient to minimise any adverse effects on the funding of the racing industry from any fluctuations in levy income. The cash balances will be kept under regular review.

9. The Board will ensure that the Capital Fund continues to support new loans to racecourses by the re-investment of loan repayments. Provisional allocations of funds for 2007/08 and the subsequent two years have already been agreed.

10. The Board will continue to consider proposals for the investment of the net proceeds of the sale of the Horseracing Forensic Laboratory in initiatives which further the modernisation and improvement of Racing and Breeding.

11. The Board will budget for a deficit on the Income and Expenditure Account in 2007/08 and fund it from cash balances brought forward.

LEVY BOARD EXPENDITURE

Improvement of Horseracing The Integrity of Racing

12. The Board's first priority for the expenditure of that part of its funds devoted to the improvement of horseracing remains

Policy statement

the most cost-effective provision of technical, security and regulatory services, for the protection of the integrity of racing, in the interests of the racing public, the punter and participants. It will provide increased funds towards the cost of these services.

13. The Board will continue to contribute in 2007/08 to the cost-effective provision of high quality camera patrol and photofinish services, and of a research-backed drug screening service.

RACECOURSES

General

14. The Board will maintain its support for the provision of a country-wide live horseracing entertainment and wishes, in principle, to see existing racecourses continue in business. It will not, however, support any racecourse regardless of cost.

15. The Board will not be prepared to give a racecourse special financial assistance by way of revenue support to enable it to remain in business.

Capital Support

16. The Board, in recognition of the need to promote racing as a spectator sport and, therefore, to improve facilities for the racegoing public and punters, will support a continuing programme of improvements with interest-free loans from its Capital Fund.

17. The Board, in assessing priorities, will seek to direct funds to improve facilities for the general public, particularly for innovative projects and those aimed at providing for families and young racegoers. It will continue to accord a high priority to projects connected with the improvement of the track and working areas (such as weighing rooms, stables and hostels). Priority will also be given to projects relating to safety and integrity. All projects must demonstrate good quality design, providing high environmental and sustainability standards. Projects with a particular focus on improving the environmental performance of facilities will be encouraged.

18. In reviewing project proposals, regard will be taken of the ability of racecourses to exploit other sources of contribution, including commercial borrowing. The Board's critical review of racecourses' applications for assistance will continue to embrace, with increased emphasis, discussions of business plans, marketing strategies, prize money policies and an appraisal of management initiatives, performance and potential. Support for projects may be made conditional on improvements in management when

this is judged to be deficient. Loan funding will be restricted to those racecourse proposals which, as well as meeting the foregoing criteria, seek to address environmentally-friendly principles and to support sustainable development.

19. The Board will help finance both revenue-earning and non revenue-earning projects on racecourses, by interest-free loans, repayable over the shortest practicable period and/or by capital credit grants. Where a racecourse elects to fund a material part of a project's cost via the latter means, no cash investment will be required.

20. Where appropriate, security for a loan will be required, taking into account the group's debt ratio if the racecourse concerned is part of a group. In so far as the Board has insufficient funds to satisfy all racecourse applications in respect of revenue generating projects, the allocation process will take into account the respective forecast returns on investment.

21. During the course of the year the Board will invite racecourses to update their five year plans for their development projects, together with supporting loan and capital credit grant applications.

Capital Credits Scheme

22. The Board will retain the Capital Credits Scheme but projects which racecourses wish to finance in this way will continue to be subject to the same procedures for examination, consideration and control as those applied to schemes which are proposed for financing from its Capital Fund. In considering such proposals the Board will wish to satisfy itself, in the context of the racecourse's long-term improvement programme, as to priorities.

Grouping

23. The Board is mindful of the advantages which can accrue to racecourses from grouping, at least for management, financial and promotional purposes, and will, when relevant, include in its discussions with racecourses about capital assistance, consideration and encouragement of grouping potential.

NEW RACECOURSES

24. In reviewing any application for revenue grants in respect of a new racecourse, to which the British Horseracing Authority indicate a willingness in principle to grant a licence and to grant, or to approve the transfer of, fixtures, the Board will have particular regard to the long-term viability of the project and will also assess its likely impact on existing racecourses and the Fixture List.

PRIZE MONEY

25. Prize money levels affect all those participating in the British Racing industry and have a direct influence on the overall quality of the horse population. In recognition of this, the Board plans, subject to further review, to make a contribution to prize money in 2008 of £57m. It will continue to incentivise racecourses, through the Merit Table, to complement this allocation by maximising their own contributions, with a view to increasing the size of the total prize money pool. The Board recognises however that, in determining their allocations, racecourses will have regard to their overall investment priorities.

26. Basic Daily Rates for 2008 will be calculated on a revised basis. 25% of the total funding will be allocated by reference to the off-course betting turnover and gross profit generated by each racecourse. Of the balance, 25% will be allocated to underpin Minimum Values, and 75% will be allocated by reference to the Merit Table system.

27. Differing funding levels for criteria and non-criteria fixtures will be retained for 2008. The Board will pay Basic Daily Rates (BDRs) in 2008 of 100% to all afternoon, and 80% to all evening criteria fixtures. BDRs of 50% will continue to be paid for non-criteria fixtures.

28. The Board will also utilise prize money to stimulate off-course betting activity through continuing support for the Seventh Race Scheme. It will also make a continuing contribution to the Divided Race Fund.

FIXTURE CRITERIA

29. In order to support the development of horseracing, the Fixture Criteria for 2008 will provide support for 1,473 funded fixtures, including additional evening fixtures to complement year round evening opening of Betting Offices. In other respects, the criteria will remain unchanged from 2007.

30. Funding for the 2008 Fixtures Incentive Scheme, which has been reviewed in consultation with BHB and the Racecourse Association, will be increased to £6.026m.

APPEARANCE MONEY SCHEME

31. The Board will maintain its support for the Appearance Money Scheme in 2007 with an allocation of £1.5m. The 2007 Scheme will again focus on support for Sunday racing and certain categories of race that tend to attract small fields. Mares in steeplechases will again be supported. The Scheme will continue to be subject to annual review.

INDUSTRY TRAINING AND EDUCATION

32. The Board will continue to contribute to the financing of the British Horseracing Education and Standards Trust (BHEST)

Policy statement

system of National Vocational Qualifications for stable staff, to the National Stud's Training Scheme and to the TBA's British Stud Staff Project. It will again make available funding for the BHEST education programme.

OTHER HEADS OF EXPENDITURE

33. The Board will continue to make Point-to-Point Grants in 2007.

34. The Board will again provide a budget allocation in 2007/08 for Research and Development (R and D) in the racing industry, and will be prepared to consider, on their merits, applications for R and D grants.

IMPROVEMENT OF BREEDS

35. The Board will continue its support in 2007 for the Breeders' Prizes Scheme which will continue to be subject to annual review.

36. Funding for Horses and Pony Societies in 2007/08 will be allocated on the basis of the agreed arrangements, which provide for funding for rare and heavy breeds of horses and ponies.

37. The Board will, in the summer of 2007, further review options for the future of the National Stud, in the light of discussions with interested parties.

VETERINARY SCIENCE AND EDUCATION

38. The Board will maintain support to veterinary science and education in 2007/08, including the surveillance of equine infectious diseases by the Animal Health Trust and financial contributions to the Equine Genetics Programme. In the wake of the TBA's decision to close its Equine Fertility Unit, the Board will liaise with the Association to assist an orderly closure and will consider funding for the re-homing of key research projects. In continuing to examine carefully the recommendations of its Veterinary Advisory Committee, which will consult with the racing industry as to research priorities, the Board will pay particular regard to the application of individual projects to the racing and breeding of Thoroughbred horses.

39. The Board's financial support for veterinary science and education will equate to not less than 2.5% of forecast levy income in 2007/08.

CHARITABLE DONATIONS

40. The Board will continue to make donations to charities whose work is relevant to the interests of the Racing and Bookmaking industries, including to the charitable Retraining of Racehorses.

PUNTER PROTECTION

41. The Board will continue to work with interested parties to implement a new corporate structure for the Independent Betting Adjudication Arbitration Service (IBAS), following the assumption of funding responsibility for the service by SIS and others on behalf of the Industry.

APPROVAL OF BETTING AREAS

42. The Board will work with all concerned to ensure a smooth transfer to other parties of its current responsibilities for approving betting areas and the National Pitch Rules on 1st September 2007, consequent upon the provisions of the Gambling Act 2005.

ENVIRONMENTAL AND SUSTAINABILITY POLICY

43. The Board has adopted an environmental policy and has introduced environmentally-friendly principles into all relevant areas of its work and activities. This is being applied to all purchasing and office management procedures. It is also being applied as a condition, where appropriate, to its expenditure for the benefit of the racing industry.

DISABILITY ACTION PLAN

44. The Board will ensure that the needs of disabled people are fully considered as its policies are developed. In particular, racecourse capital project proposals will be scrutinised to ensure they provide for disabled spectators to have access and viewing of the sport in compliance with the intended requirements of the Disability Discrimination Act.

BOARD STAFF

45. Following the implementation of a modernised and more cost-effective organisational structure, the Board will work with its Executive and staff to fulfil its strategic and policy objectives.

RELATIONS WITH OTHER BODIES

46. The Board will seek to maintain good working relationships with the various authorities and organisations with which it works on a regular basis within the racing and bookmaking industries, and with DCMS and the Gambling Commission.

PAYMENTS TO SUPPLIERS

47. The Board is committed to the prompt payment of bills for goods and services received. The Board's policy continues to be to settle creditors in accordance with the terms agreed with individual suppliers.

April 2007

Corporate Governance

CORPORATE GOVERNANCE

The Board's obligations in respect of Corporate Governance have been fulfilled by the following:

CODE OF PRACTICE

The Board has adopted a Code of Practice designed to ensure a high standard of Corporate Governance incorporating those main provisions of the Treasury's recommended Code of Practice that were deemed relevant.

INFORMATION GIVEN TO THE AUDITORS

The Accounting Officer and each of the Members of the Board has confirmed that so far as they are aware:

- there is no relevant information of which the Board's auditors are unaware, and
- that they have taken all the steps that they ought to have taken in order to make themselves aware of any relevant information and to establish that the Board's auditors are aware of that information.

REGISTER OF MEMBERS' INTERESTS

The Members of the Board have made a declaration of their personal interests relevant to their responsibilities as Members of the Board. The register of Members' interests is kept at the Board's offices which may be viewed on request, and is also available on the Board's web-site, www.hblb.org.uk

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

As Accounting Officer for the Horserace Betting Levy Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Board's policies, aims and objectives, and in accordance with the Betting, Gaming and Lotteries Act 1963 (as amended), whilst safeguarding the public funds and the Board's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The purpose of a system of internal control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process to identify the principal risks to the achievement of the Board's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively

and economically. This process has been in place for the year ended 31st March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Risk management

The Board is committed to a regular review of risk management and identification and is guided by the Audit Committee as to risk processes, controls and framework.

Review of effectiveness

As accounting officer, I also have the responsibility for reviewing the effectiveness of the system of internal control. The Horserace Betting Levy Board has established the following processes:

- at least nine Board meetings a year which are also attended by the executives;
- an Audit Committee which met twice in the year ended 31st March 2007;
- an Annual Report from the Chairman of the Audit Committee to the Board;
- internal audit and risk review undertaken by external advisors;
- an internal control and risk manual;
- allocation of risk ownership;
- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board;
- regular reviews by the Board of quarterly and annual financial reports which indicate financial performance against the budget;
- as appropriate, formal project management disciplines.

AUDIT COMMITTEE

The Members of the Audit Committee are as follows:-

Chris Deuters (Chairman)

Christopher Bell

David Thorpe

The Board's Audit Committee met twice during the year to carry out its duties in accordance with its terms of reference, which are:

- to review the Board's internal and external Financial Statements and reports to ensure that they are appropriate and reflect best practice;
- to recommend to the Board the appointment of external auditors;
- to approve arrangements for audits;
- to advise the Board on its annual and long term audit programs and to approve the response to the auditor's Management Letter;
- to review the effectiveness of the Board's internal control systems;
- to report once a year to the Board on the discharge of the above duties;

- to review the Board's risk controls and compliance with the Treasury's recommended Code of Practice;
- to review Members' and Executives' register of interests and advise on any conflicts;
- to review the Board's banking and investment arrangements;
- to appoint the Board's internal audit and risk advisors and review their findings;
- to consider any other matters when requested to do so by the Board.

My review of the effectiveness of the system of internal control is informed by the Audit Committee, and the executive managers within the Board, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in any management letters and other reports.

REMUNERATION COMMITTEE

The Board has a Remuneration Committee, the Members of which are as follows:-

David Thorpe (Chairman)

Penny Boys CB

Peter Jones

This Remuneration Committee meets as required to:-

- determine Executive remuneration;
- make recommendation to the Board on issues of organisation and Remuneration policy.

Details of the Board Members' and Chief Executive's remuneration are disclosed in note 7 of the Financial Statements.

FREEDOM OF INFORMATION

The Board has continued to meet the requirements of the Freedom of Information Act 2000. The Board's website, www.hblb.org.uk contains full details of information published by the Board and how to make a request under the Act.

RACE RELATIONS

The Board continues to operate, in all areas of its activity, in line with the Race Relations (Amendment) Act 2000 and its own Equal Opportunity Policy, and continues to monitor recruitment and employment. The racial composition of employees is consistent with that of the population of England and Wales, and there continues to be full equality of access to promotion, training and other features of employment, regardless of race, within the Board.

Sir Tristram Ricketts BT

Chief Executive and Accounting Officer

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE HORSERACE BETTING LEVY BOARD

We have audited the Group and the Board's Financial Statements ("the Financial Statements") of the Horserace Betting Levy Board for the year ended 31st March 2007 which comprise the Consolidated Income and Expenditure Account, the Statement of Recognised Gains and Losses, the Group and Board Balance Sheets, the Group Cash Flow Statement and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Board's Members as a body, in accordance with the terms of our appointment under section 31 (1) of the Betting Gaming and Lotteries Act 1963 (as amended). Our audit work has been undertaken so that we might state to the Board's Members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board and the Board's Members as a body for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE MEMBERS, THE CHIEF EXECUTIVE AND AUDITORS

The Members' and Chief Executive's responsibilities for preparing the annual report and the Financial Statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) and for ensuring the regularity of transactions are set out in the Statement of Members' and Chief Executive's responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and have been properly prepared in accordance with the Accounts Direction issued by the Secretary of State for the Department for Culture, Media and Sport and whether in all material respects the income and expenditure have been applied to the purposes intended by Parliament and the financial transactions

conform to the authorities which govern them. We also report to you if, in our opinion, the Management Commentary is not consistent with the Financial Statements, if the Board has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the Board's and Chief Executive's remuneration and other transactions is not disclosed.

We review whether the statement on page 28 reflects the company's compliance with Treasury's guidance on the Statement on Internal Control and we report if it does not. We are not required to consider, nor have we considered whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report, and consider whether it is consistent with the audited Financial Statements. This other information comprises the Chairman's Statement, the Chief Executive's Review of the Year, Improvement of Horseracing, Breeds and Veterinary, 45th and 46th Levy Schemes and the Policy Statement and Corporate Governance. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Members and Chief Executive in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused

by fraud or other irregularity or error and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

OPINION

In our opinion:

- The Financial Statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Board's affairs at 31st March 2007 and of the Group's deficit for the year then ended.
- The Financial Statements have been properly prepared in accordance with the Accounts Direction issued by the Secretary of State for the Department for Culture, Media and Sport.
- The information given in the Management Commentary is consistent with the Financial Statements.
- In all material respects the expenditure and income has been applied to the purposes intended by Parliament and the Financial Transactions conform to the authorities which govern them.

PKF (UK) LLP
LONDON, UK

13th June 2007

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31st MARCH 2007

		2007	2006
	Notes	£'000	£'000
			As restated
Income			
Levy income receivable for:			
45th Levy Scheme	2a	90,000	–
44th Levy and previous years' schemes	2a	1,642	88,917
		91,642	88,917
Levy income receivable from Horserace Totalisator Board	2a	8,732	8,196
		100,374	97,113
Other income		5	3
Laboratory third-party services		4,843	4,713
Interest receivable		1,292	1,735
Total income		106,514	103,564
Expenditure			
Expenditure costs:			
Improvement of horseracing	4a	99,134	92,721
Other expenditure	4b	11,465	14,337
Pension finance costs		396	162
Total expenditure		110,995	107,220
Operating deficit	5	(4,481)	(3,656)
Exceptional items	6	1,424	(7,254)
Profit on disposal of subsidiary undertaking (2006: disposal of fixed assets)		4,659	1,001
Taxation	9	(1,689)	(62)
Deficit for the year transferred from reserves	17	(87)	(9,971)

The deficit for the year arose from continuing and discontinued operations.

The discontinued operations relate to the disposal of the Board's subsidiary undertaking, HFL Ltd, which took place on 25th January 2007. The results attributable to HFL Ltd prior to its disposal comprised income of £4.8m (2006: £4.7m) operating expenses £3.9m (2006: £4.3m) and a taxation charge of £278,000 (2006: nil). The net effect being a profit in relation to the discontinued operations of £649,000 (2006: £401,000).

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR TO 31st MARCH 2007

		2007	2006
	Notes	£'000	£'000
Deficit for the financial year		(87)	(9,971)
Actuarial gain/(loss) on the defined benefit pension scheme	20	360	(2,616)
Total recognised gains and losses for the year		273	(12,587)
Prior year adjustment	17	1,000	(1,862)
Total recognised gains and losses since the last report and accounts		1,273	(14,449)

BALANCE SHEETS AS AT 31st MARCH 2007

	Notes	Group		Board	
		2007	2006	2007	2006
		£'000	£'000	£'000	£'000
			As restated		As restated
Fixed assets					
Tangible fixed assets	10	112	12,196	112	135
Investment in HFL Ltd	11	–	–	–	10,000
Loan to HFL Ltd	11	–	–	–	2,704
Loan to National Stud		1,100	1,000	1,100	1,000
Loans	13	40,084	35,609	40,084	35,609
Total fixed assets		41,296	48,805	41,296	49,448
Current assets					
Stocks		–	122	–	–
Debtors	14	3,781	4,660	3,781	2,470
Loans due within one year	13	9,396	12,570	9,396	12,570
Current asset investments		30,000	28,500	30,000	28,500
Bank deposits and cash in hand		7,210	3,256	7,210	2,677
Total current assets		50,387	49,108	50,387	46,217
Creditors: amounts falling due within one year	15	(17,159)	(19,324)	(17,159)	(17,992)
Net current assets		33,228	29,784	33,228	28,225
Total assets less current liabilities		74,524	78,589	74,524	77,673
Provision for liabilities and charges	16	(580)	(1,107)	(580)	(1,107)
Net assets excluding pension liability		73,944	77,482	73,944	76,566
Pension liability	20	(1,201)	(5,012)	(1,201)	(5,012)
Net assets including pension liability		72,743	72,470	72,743	71,554
Reserves	17	72,743	72,470	72,743	71,554

These Financial Statements were approved and authorised for issue by the Board on 13th June 2007 and were signed on its behalf by:

R V Hughes CBE
Chairman

Sir Tristram Ricketts Bt
Chief Executive

GROUP CASH FLOW STATEMENT FOR THE YEAR TO 31st MARCH 2007

	Notes	2007		2006	
		£'000	£'000	£'000	£'000
Operating activities					
Net cash outflow from operating activities	18		(10,488)		(6,529)
Returns on investments and servicing of finance	19		1,145		1,799
Taxation			(62)		(111)
Capital expenditure and financial investment	19		(2,429)		(975)
Acquisitions and disposals	19		18,738		–
Cash inflow/(outflow) before use of liquid resources			6,904		(5,816)
Management of liquid resources	19		(1,500)		6,500
Increase in cash in the year			5,404		684
Reconciliation of net cash flow to movement in net funds					
Increase in cash in the year			5,404		684
Cash inflow/(outflow) from movement in liquid resources			1,500		(6,500)
Cash disposed of with subsidiary undertaking			(1,450)		–
Movement in net funds in the year			5,454		(5,816)
Net funds at the start of the year			31,756		37,572
Net funds at the end of the year			37,210		31,756

	At 1st April 2006	Cashflow	At 31st March 2007
	£'000	£'000	£'000
Changes in net funds			
Bank deposits and cash in hand	3,256	3,954	7,210
Current asset investments	28,500	1,500	30,000
Total	31,756	5,454	37,210

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31st MARCH 2007

1. BASIS OF PREPARATION

The Group Financial Statements incorporate the Financial Statements of the Board and its subsidiary undertaking HFL Ltd until the sale of HFL Ltd on 25th January 2007. The Board has responsibility for the National Stud under severe long-term restrictions imposed at the time of its transfer from the then Ministry of Agriculture, Fisheries and Food, as described in note 12. In accordance with the Chairman of the National Stud's comments, the extension of the Stud's financial year has required their Financial Statements to be issued separately from this document.

The Group Financial Statements are drawn up in accordance with a direction given by the Secretary of State for the Department for Culture Media and Sport in accordance with the Betting, Gaming and Lotteries Act 1963 (as amended). The Financial Statements are prepared in accordance with generally accepted accounting practice in the United Kingdom (UK GAAP), the historical cost convention and the accounting and disclosure requirements given in Government Accounting and Financial Reporting Manual so far as they are appropriate to the Board and as in force for the year for which the Financial Statements are prepared.

2. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Board's and the Group's Financial Statements:

a. Income

i. Levy Income

Levy income receivable from bookmakers represents the total amount which it is estimated will be collected in respect of the Levy Scheme for the year (the 45th Levy scheme for the year ended 31st March 2007) and an amount in respect of adjustments to estimates made in previous years.

Levy income from the Horserace Totalisator Board represents the contribution receivable in respect of the year.

ii. Laboratory Third Party Services

Laboratory Third Party Services comprise income from the testing of samples for drugs and is recognised when the goods and services are supplied (excluding VAT and trade discounts).

b. Stocks

Stocks are stated at the lower of cost and net realisable value.

c. Depreciation

Depreciation is calculated to write off the cost, less residual value, of tangible fixed assets by equal monthly instalments over their estimated useful lives. Estimated useful lives are as follows:

Freehold buildings	10 to 35 years
Short leasehold premises	Over the period of the lease
Plant and machinery	24 to 120 months
Motor vehicles	30 to 48 months

Assets in the course of construction are not depreciated.

Freehold land is not depreciated.

d. Deferred taxation

Deferred tax is provided in respect of all timing differences on a full provision basis, at the average rates of tax expected to apply when the timing differences reverse. This is in accordance with the requirements of FRS 19 "Deferred Tax".

e. Pension Schemes

The group operates a defined contribution and a defined benefit pension scheme.

The cost of the defined contribution scheme is charged to the Consolidated Income and Expenditure Account in the year to which it relates.

For the defined benefit scheme any increase in the present value of the liabilities of the scheme expected to arise from the current service of employees in the year is charged to the Consolidated Income and Expenditure Account. The expected return on the scheme's assets and the expected increase during the year in the present value of the scheme's liabilities are included as pension finance income or costs as appropriate. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension scheme assets, to the extent they are considered recoverable, and pension scheme liabilities, are recognised in the balance sheet and represent the difference between the market value of scheme assets and the present value of scheme liabilities. Pension scheme liabilities are determined on an actuarial basis using the projected unit method and are discounted at a rate using the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

f. Leases

Where the Board enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the Consolidated Income and Expenditure Account, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease rentals are charged in the Consolidated Income and Expenditure Account on a straight line basis over the lease term.

g. Liquid Resources

Liquid resources comprise current asset investments which are readily convertible into known amounts of cash.

h. Improvement of Horseracing & Veterinary Grants

Grants payable in respect of the improvement of horseracing and advancements of veterinary science and education can cover a period of more than one year. These are charged to the Consolidated Income and Expenditure Account in the year in which the unconditional commitment to make payment falls except where they are performance related in which case they are charged over the period covered by the grant.

3. BETTING, GAMING AND LOTTERIES ACT 1963

The income and expenditure of the Board is in accordance with the provisions of the above Act (as amended). Specific applications of revenue relate to the following sections of Part 1 of the Act:

Section

24 (1) (a) and 25 (2) (d)	Improvement of breeds of horses
24 (1) (b) and 25 (2) (d)	Advancement or encouragement of veterinary science or veterinary education
24 (1) (c) and 25 (2) (d)	Improvement of horseracing
24 (2) (a) and 24 (6)	Administration
25 (2) (c)	Charitable payments
25 (2) (d)	Loans granted and investments made

The Levy income receivable from bookmakers and the contributions from the Horserace Totalisator Board are governed by Sections 27 and 30 of the above Act (as amended) respectively.

4. EXPENDITURE COSTS

4a. Improvement of Horseracing

	2007	2006
	£'000	£'000
Owners		
Prize money	61,232	59,721
Prize money for divided races	798	1,001
Appearance money scheme	2,700	2,846
Owners' premium scheme	664	451
	65,394	64,019
Racecourses		
Abandoned fixtures	540	660
Fixture incentive scheme	6,676	7,219
	7,216	7,879
Integrity services		
Fixture fees	10,411	9,342
Regulatory Head Office Grants	4,140	–
Integrity fees	5,398	4,950
Horserace Scientific Advisory Panel and related bodies	–	11
	19,949	14,303
HFL Ltd		
Cost of services for HRA	3,775	3,621
New Threats Research Project	289	290
	4,064	3,911
Training		
Industry training	902	874
	902	874
Other		
Point-to-point meetings	327	318
Research and development	34	58
IBAS	65	71
Training gallops	250	220
Enquiry room	1	–
Weighing room scales	–	225
TRICL IV	153	240
Future Funding Review Group	22	318
Channel 4 Racing	734	267
Jump Racing Focus	12	–
Sundry	11	18
	1,609	1,735
	99,134	92,721

During the year various racecourses waived their right to prize money, appearance money, and grants for integrity services to a total of £44.7m (2006: £32.1m). When the Board approves a scheme for a racecourse improvement, the racecourse proprietor is eligible to claim capital grants in respect of its scheme up to a total of the amount waived, insofar as this has not been utilised previously. However, any grants made are at the Board's discretion. The waived amount is therefore included in the above figures for prize money, fixture incentive, fixture fees, integrity fees and appearance money while the unutilised amount of the Board's commitment to provide capital grants is accounted for as a liability (see note 15).

4. EXPENDITURE COSTS *continued*

4b. Other Expenditure

	2007	2006
	£'000	£'000
		As restated
Wavertree Charitable Trust endowment grant – Charities Aid Foundation	–	1,019
Improvement of breeds:–		
Breeders' prizes scheme	1,510	1,773
Breed societies	172	160
Advancement of veterinary science and education	2,214	3,178
Administration costs	3,372	3,606
Laboratory operating expenses	3,916	4,312
Bookmakers' Committee costs	200	211
Charitable payments	81	78
	11,465	14,337

5. OPERATING DEFICIT BEFORE TAXATION

	2007	2006
	£'000	£'000
The Group operating deficit is stated after charging the following:		
Remuneration of Board Members and Chief Executive, including pension contributions	335	228
Depreciation	924	1,194
Operating lease rentals	362	326
Auditors' remuneration:		
– audit fees	34	38
– other fees	59	41

6. EXCEPTIONAL ITEMS

	2007	2006
	£'000	£'000
		As restated
Exceptional items are made up as follows:		
Pension Curtailment/Settlement credit/(charge)	924	(7,158)
Redundancy & other (see note 16)	500	(96)
	1,424	(7,254)

The exceptional items have no effect on the tax charge for the current or previous year.

7. REMUNERATION OF BOARD MEMBERS AND CHIEF EXECUTIVE

Board Members are appointed by the Secretary of State and the Jockey Club, or represent the Bookmakers' Committee or the Horserace Totalisator Board.

	2006/07				2005/06			
	Salaries	Benefits	Pension		Salaries	Benefits	Pension	
			Benefit	Total			Benefit	Total
£	£	£	£	£	£	£	£	
Robert Hughes – Chairman	57,650	9,994	8,056	75,700	55,765	9,994	7,774	73,533
Sir John Robb – Deputy Chairman (Retired 30/9/06)	11,750	–	–	11,750	22,900	–	–	22,900
Chris Deuters (Appointed 1/10/06)	11,927	–	–	11,927	–	–	–	–
Keith Elliott (Retired 30/9/06)	8,840	–	–	8,840	17,230	–	–	17,230
Penny Boys (Appointed 1/10/06)	8,972	–	–	8,972	–	–	–	–
Warwick Bartlett (Retired 31/10/06)	10,313	–	–	10,313	17,230	–	–	17,230
Christopher Bell (Appointed 1/11/06)	7,500	–	–	7,500	–	–	–	–
Sir Tristram Ricketts Bt – Chief Executive (Appointed 1/10/05)	150,000	7,546	57,798	215,344	75,000	3,701	25,980	104,681

The Secretary of State determines the terms and conditions of his appointees and approves their Board salaries.

None of the other Board Members receives any remuneration.

8. STAFF NUMBERS AND COSTS

The average number of persons (excluding Board Members) employed by the Group in the year was as follows:

	2007	2006
Board	22	23
HFL Ltd	136	126
	158	149

The aggregate payroll costs of these persons were:

	2007	2006
	£'000	£'000
Wages and salaries	3,967	4,309
Social security	421	465
Pension costs		
Defined benefit scheme current service cost	924	783
Group personal pension plan	208	159
Other staff costs	379	465
	5,899	6,181

9. TAXATION

	2007	2006
	£'000	£'000
a) Analysis of charge in year		
Notional tax change in respect of HFL Ltd trading results up to the date of sale	278	–
Corporation tax at 30% (2006: 30%)	1,411	62
	1,689	62

The charge for corporation tax represents tax charged in the Financial Statements of the Board in respect of interest received less certain deductions as well as capital gains tax on the sale of HFL Ltd.

Other revenue and expenditure of the Board is not taxable or tax deductible.

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than would be expected by multiplying the surplus/(deficit) before taxation by the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2007	2006
	£'000	£'000
		As restated
Surplus/(deficit) for the year before tax	1,602	(9,909)
Surplus/(deficit) for the year multiplied by the standard rate of corporation tax of 30% (2006: 30%)	481	(2,973)
Effects of:		
Amounts not subject to taxation	(115)	2,814
Capital allowances in excess of depreciation	–	(69)
Capital Gain	1,045	285
Other timing differences	–	7
Expenses not deductible for tax purposes	–	11
Notional tax charge in respect of HFL Ltd	278	–
Marginal relief	–	(13)
Current tax charge for the year	1,689	62

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings	Short leasehold premises	Plant and machinery	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Group					
Cost:					
At 1st April 2006	11,717	320	9,694	266	21,997
Additions	–	–	960	83	1,043
Disposals	(11,717)	–	(9,143)	(212)	(21,072)
At 31st March 2007	–	320	1,511	137	1,968
Depreciation:					
At 1st April 2006	2,930	320	6,413	138	9,801
Charge for the year	251	–	630	44	925
Disposals	(3,181)	–	(5,565)	(124)	(8,870)
At 31st March 2007	–	320	1,478	58	1,856
Net book value:					
At 31st March 2007	–	–	33	79	112
At 31st March 2006	8,787	–	3,281	128	12,196
Board					
Cost:					
At 1st April 2006	–	320	1,506	139	1,965
Additions	–	–	9	32	41
Disposals	–	–	(4)	(34)	(38)
At 31st March 2007	–	320	1,511	137	1,968
Depreciation:					
At 1st April 2006	–	320	1,462	48	1,830
Charge for the year	–	–	20	27	47
Disposals	–	–	(4)	(17)	(21)
At 31st March 2007	–	320	1,478	58	1,856
Net book value:					
At 31st March 2007	–	–	33	79	112
At 31st March 2006	–	–	44	91	135

11. INVESTMENTS

a) HFL Ltd

	Shares in subsidiary undertaking	
	2007	2006
	£'000	£'000
Cost at 1st April 2006	10,000	10,000
Disposal	(10,000)	–
Cost at 31st March 2007	–	10,000

11. INVESTMENTS *continued*

At 31st March 2006 the Board owned the whole of the £10m issued ordinary share capital of HFL Ltd, a company registered in England, which operates a forensic laboratory for the benefit of the integrity of racing primarily in Great Britain. HFL Ltd was sold on the 25th January 2007.

Loan to HFL Ltd	Board	
	2007	2006
	£'000	£'000
Repayable within 5 years	–	2,704

b) National Joint Pitch Council Limited

At 31st March 2006 and 2007, the Board held 3 guarantees of £1 each, in the National Joint Pitch Council, a company which administers the on-course betting rings.

12. THE NATIONAL STUD

The National Stud is an undertaking, responsibility for which was transferred to the Board from the then Ministry of Agriculture, Fisheries and Food on 1st April 1963. The National Stud stands high class and commercial stallions and makes nominations to such stallions available to the owners of mares with the purpose of maintaining the high standard of the English thoroughbred horse.

The terms under which the National Stud is held by the Board include the following:

- The National Stud must be held as an identifiable asset.
- The Board may not appropriate profits made by the National Stud.
- The Board will regard the making good of working losses in any year of the National Stud as a purpose of the Levy.

13. LOANS

	Group and Board	
	2007	2006
	£'000	£'000
Secured:		
Repayable within five years	43,826	43,880
Repayable after more than five years	2,550	–
Unsecured:		
Repayable within five years	3,104	4,299
Total Loans	49,480	48,179
Loans included above due within one year	(9,396)	(12,570)
Loans due in more than one year	40,084	35,609

Loans are interest free.

14. DEBTORS

	Group		Board	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Amounts due from bookmakers and Tote in respect of levy income	3,324	1,981	3,324	1,981
Amounts due from the National Stud	17	2	17	2
Trade and other debtors	326	2,131	326	360
Prepayments and accrued income	114	546	114	127
	3,781	4,660	3,781	2,470

All the above amounts are due within one year.

At 31st March 2007 there were no significant amounts due to or from any Government departments.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Board	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Capital grants (see note 4)	6,090	7,020	6,090	7,020
Accruals	4,388	4,619	4,388	4,151
Trade and other creditors	668	1,069	668	443
Amounts due to bookmakers and Tote in respect of levy income	4,569	6,263	4,569	6,263
Corporation tax	1,400	62	1,400	62
Social security	44	291	44	53
	17,159	19,324	17,159	17,992

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Redundancy Provision	Total
	£'000	£'000
At 1st April 2006	1,107	1,107
Utilised in the year	(27)	(27)
Released in year	(500)	(500)
At 31st March 2007	580	580

Following the announcement by the Government of its intention to bring forward legislation to end the levy system, the Board agreed a staff redundancy package. Subsequently, an announcement was made advising of the continuance of the Board. As a consequence £500,000 of the redundancy provision has been released in the year.

17. RECONCILIATION OF MOVEMENTS IN RESERVES

	Group 2007	Group 2006	Board 2007
	£'000	£'000	£'000
Reserves at 1st April 2006			
As previously reported	71,470	71,470	70,554
Prior year adjustment	1,000	1,000	1,000
At 31st March 2006 as restated	72,470	72,470	71,554
Actuarial gain on the defined benefit pension scheme	360	–	360
Deficit for the year	(87)	–	829
Reserves at 31st March 2007	72,743	72,470	72,743

The prior year adjustment of £1m included above arises from the reclassification of a grant made to the National Stud in the previous year, as a loan.

The Board's policy is to maintain a Capital Fund for the improvement of horseracing by way of loans. Reserves at 31st March 2007 included £51m attributable to the Capital Fund.

18. RECONCILIATION OF OPERATING (DEFICIT)/SURPLUS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2007	2006
	£'000	£'000
		As restated
Operating deficit	(4,481)	(3,656)
Profit on disposal of fixed assets	–	(96)
Interest receivable	(1,292)	(1,735)
Net pension finance charge	396	162
Depreciation	924	1,195
Current service charge	738	783
Pension contributions paid	(3,661)	(7,275)
Increase in stocks	(24)	(42)
(Decrease)/increase in debtors	(1,147)	7,777
Decrease in creditors	(1,914)	(3,630)
Payments relating to provisions	(27)	(12)
Net cash outflow from operating activities	(10,488)	(6,529)

Cash flows relating to discounted activities amount to £1.8m.

19. ANALYSIS OF CASHFLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2007	2006
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	1,145	1,799
Net cash inflow	1,145	1,799
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,043)	(1,198)
Sales of tangible fixed assets	15	1,006
Net loans advanced to racecourses	(1,301)	(783)
Other loans	(100)	–
Net cash outflow	(2,429)	(975)
Acquisitions and disposals		
Net proceeds from sale of subsidiary undertaking	18,738	–
	18,738	–
Management of liquid resources		
Amounts transferred to/from short term deposits	(1,500)	6,500
Net cash inflow/(outflow)	(1,500)	6,500
Sale of subsidiary undertaking		
Net assets sold	14,079	–
Profit on disposal	4,659	–
	18,738	–
Satisfied by		
Cash	20,250	–
Costs of disposal	1,512	–
	18,738	–

20. DEFINED BENEFITS RETIREMENT SCHEME

The Group operates a pension scheme providing benefits based on final pensionable salary. The Scheme is a multi-employer to which HFL Ltd until its sale, The National Stud and The National Joint Pitch Council also contribute. The Scheme was closed to new members on 31st March 2003 and a group personal pension plan was set up on 1st April 2003.

In 2005 the Trustees purchased a buyout policy with an insurance company which insures estimated benefits for active and deferred members assuming a termination date of September 2009. In addition to an upfront payment of approximately £24m paid by the Trustees in December 2005, the policy requires two further instalments of approximately £3m (net of employees, 4% and employers 14.2% contributions) which the Board has agreed to pay in principle in September 2007 and 2008.

The Trustees purchased the buyout policy with the objective of eliminating risks arising from investment returns and longevity and obtaining greater certainty over contributions required for the pension scheme up to September 2009. The method used to value the assets and liabilities of the Scheme for the purpose of these Financial Statements produces a lower amount than the premium paid; however, the value of the assets is consistent with the value of the liabilities shown and with accounting standard FRS 17.

This method creates a step change in the value of the Scheme's assets, which is shown as "actual return less expected return on the Scheme's assets" in the accounts. Two further premiums are required to cover the deficit and the cost of benefits continuing to be earned plus pension-related other finance income/costs in the Income and Expenditure Account up to September 2009. As a result, the deficit will reduce to zero by September 2009 and future variations in balance sheet items will be minimal.

The latest actuarial valuation of the Defined Benefits Retirement Scheme for the purposes of the Group Financial Statements took place on 31st March 2007. For the purposes of the FRS 17 valuation, it has been assumed that active members will continue service beyond September 2009, as an "unequivocal commitment to close" the Defined Benefits Retirement Scheme is not currently in place.

The main financial assumptions used by the actuary were as follows:

	2007	2006	2005	2004
Rate of increase in pensionable salaries	4.2%	4.0%	4.4%	4.4%
Rate of increase in pensions in payment				
– Pre 1st April 1990 service	5.0%	5.0%	5.0%	5.0%
– Post 1st April 1990 service	3.2%	2.9%	2.9%	2.9%
Inflation rate	3.2%	3.0%	2.9%	2.9%
Discount rate	5.4%	4.9%	5.4%	5.5%
Rate of return on assets	5.4%	4.9%	5.3%	5.3%

The assets in the scheme and the expected rate of return (net of investment expenses) were:

	2007		2006		2005	
	£'000	Expected rate of return	£'000	Expected rate of return	£'000	Expected rate of return
Structured buy-out policy	17,309	5.40%	15,596	4.90%	–	–
Bonds	–	–	–	–	20,727	5.20%
Pensioner annuities	18,835	5.40%	18,837	4.90%	15,258	5.40%
Other	2,692	5.40%	2,204	3.80%	–	–
	38,836		36,637		35,985	

The net pension liability comprises:

	2007	2006	2005
	£'000	£'000	£'000
Market value of assets	38,837	36,637	35,985
Actuarial value of liabilities	(40,038)	(41,649)	(37,570)
Deficit	(1,201)	(5,012)	(1,585)

20. DEFINED BENEFITS RETIREMENT SCHEME *continued*

	2007	2006
	£'000	£'000
Analysis of the amount charged to expenditure		
Current service cost	(738)	(783)
Settlements / curtailments	924	–
	186	(783)
Analysis of amount charged to finance costs:		
Expected return on pension scheme assets	1,633	1,842
Interest on pension scheme liabilities	(2,029)	(2,004)
Net finance charge	(396)	(162)
Net charge to consolidated income and expenditure account	(210)	(945)
Actuarial loss recognised in the statement of total recognised gains and losses:		
Actual return less expected return on Scheme assets	(2,222)	504
Experience gains and losses arising on the Scheme liabilities	(9)	3,834
Changes in assumptions underlying the present value of the Scheme liabilities	2,591	(6,954)
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses	360	(2,616)

The FRS17 pension deficit has been included in the balance sheet, the effect on reserves is as follows:

	2007	2006
	£'000	£'000
Reserves at 31st March excluding pension liability	73,944	77,482
Pension deficit	(1,201)	(5,012)
Reserves at 31st March including pension liability	72,743	72,470

Movement in deficit during the year:

Deficit in the Scheme at beginning of year	(5,012)	(1,585)
Movement in year:		
Current service cost	(738)	(783)
Settlements/curtailments	924	(7,158)
Contributions (including third party contributions)	3,661	7,292
Net finance charge	(396)	(162)
Actuarial gain/(loss)	360	(2,616)
Deficit in the Scheme at end of year	(1,201)	(5,012)

	2007	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
History of experience gains and losses:					
Actual return less expected return on Scheme assets	(2,222)	504	57	(329)	(1,167)
Percentage of Scheme assets	(5.7%)	1.4%	0.2%	(1.2%)	(4.4%)
Experience gains and losses on Scheme liabilities	(9)	3,834	464	(65)	3,746
Percentage of Scheme liabilities	0.0%	9.2%	1.2%	(0.2%)	13.1%
Total amount recognised in statement of total recognised gains and losses	360	(2,681)	(3,072)	(1,569)	1,569
Percentage of Scheme liabilities	0.9%	(6.4%)	(8.2%)	(5.0%)	5.5%

21. COMMITMENTS

a) At 31st March 2007 the Group and Board had approved loans totalling £14.9m (2006: £13.6m) in respect of capital improvement projects, of which £3.7m (2006: £4.5m) was still to be drawn at 31st March 2007.

b) At 31st March 2007 the Board had annual commitments under operating leases as follows:

	Land and buildings	
	2007	2006
	£'000	£'000
Expiry date		
Between one and five years	330	330

c) The Board is currently in discussions with the Trustees of the Jockey Club Pension Scheme and Life Assurance Scheme whereby the Board will guarantee BHA a contribution to the Scheme to eliminate the current funding deficit of £13.7m. The guarantee will last for 10 years or until a valuation discloses the deficit has been eliminated, if earlier. In addition, the Board is offering to guarantee for 10 years the cost of buying out benefits under the Scheme up to a maximum £39.5m (reduced to £32.5m following a planned £7m injection during 2007/08) in the event of the winding up of the Scheme arising from the liquidation or withdrawal of the principal employer (BHA), or if the principal employer terminates its liability to pay contributions to the Scheme.

22. RELATED PARTIES

The Horserace Betting Levy Board is a Non-Departmental Public Body operating in accordance with the provisions of the Betting, Gaming and Lotteries Act 1963 (as amended). The Department for Culture Media and Sport is the Board's controlling government department and is therefore a related party.

During the year none of the Board Members, members of key management staff, or other related parties, has undertaken any material transactions with the Horserace Betting Levy Board.

23. FINANCIAL INSTRUMENTS

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. Because of the nature of the Board's income and expenditure, it is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of a listed company to which FRS 13 mainly applies. The Horserace Betting Levy Board's financial assets and liabilities are generated by its day to day activities and are not held to change the risk facing the Board in undertaking its activities.

Liquidity Risk

The Horserace Betting Levy Board is not exposed to any significant liquidity risks.

Interest rate risk

The Horserace Betting Levy Board has no borrowings. All surplus funds are placed on deposit with recognised commercial banks at the prevailing interest rates.

Foreign Currency risk

The Horserace Betting Levy Board is not exposed to any foreign currency risks.

24. POST BALANCE SHEET EVENTS

FRS 21, Post Balance Sheet Date Events requires disclosure of significant events that have occurred after the financial year which have an impact on the Financial Statements. There have been no Post Balance Sheet Events at the Horserace Betting Levy Board.

The Horserace Betting Levy Board's Financial Statements are laid before the Houses of Parliament by the Secretary of State for the Department for Culture, Media & Sport. FRS 21 requires the Horserace Betting Levy Board to disclose the date on which the accounts are authorised for issue. This is the date on which the accounts are approved by the Horserace Betting Levy Board's management and despatched to the Secretary of State for the Department for Culture, Media & Sport.

The authorised date for issue is 13th June 2007.

