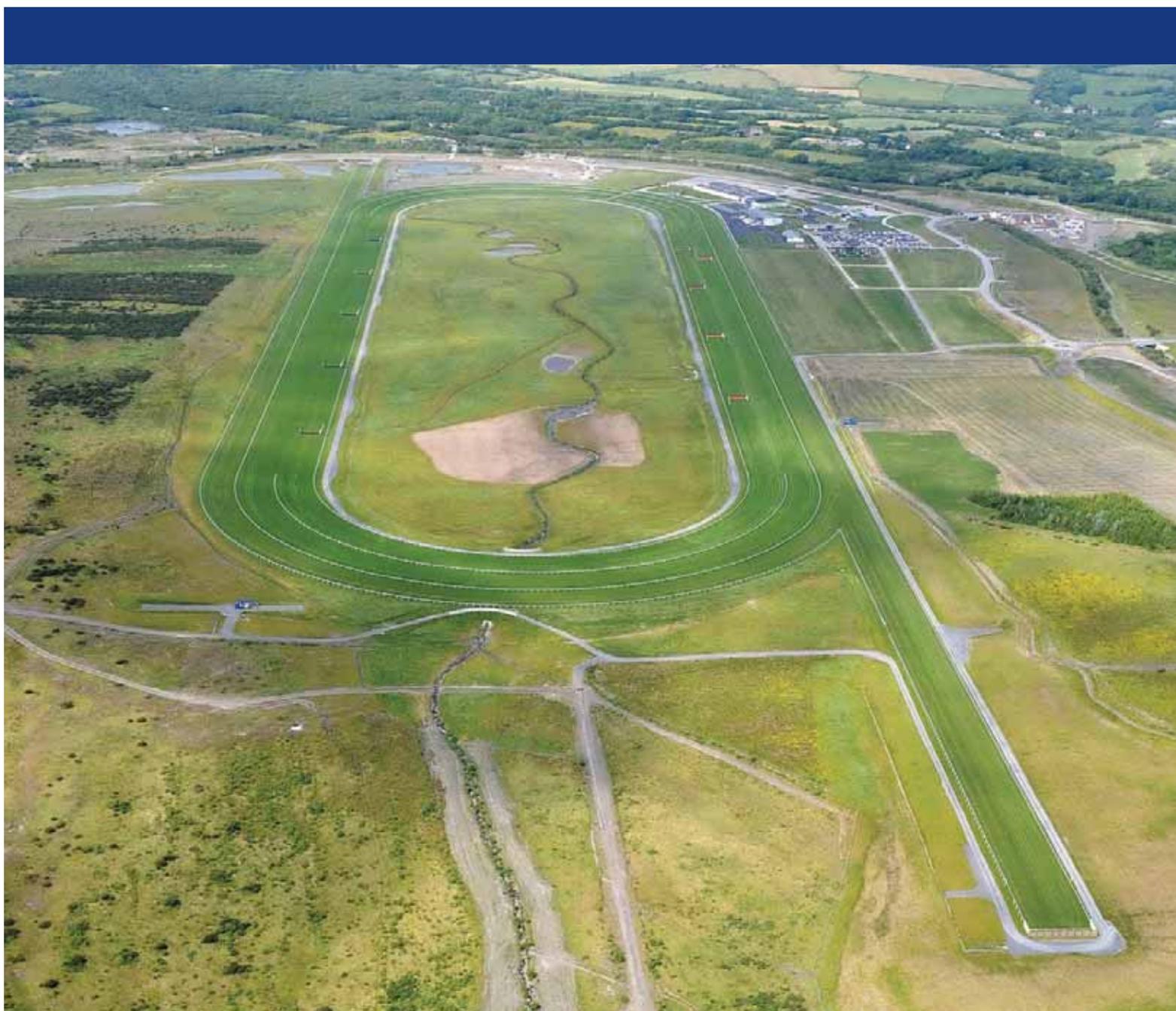




2008/09 ANNUAL REPORT



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

July 2009

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 2008 to 31st March 2009.

Robert Hughes CBE
Chairman

Penny Boys CB
Deputy Chairman

Paul Darling

Paul Roy

David Thorpe

Paul Dixon

Christopher Bell

Mike Smith

Douglas Erskine-Crum CBE
Chief Executive and
Accounting Officer



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RESPONSIBILITIES & FUNCTIONS OF THE BOARD

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 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 Board 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

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89 Buckingham Palace Road,
London SW1W 0QL

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Grant Thornton UK LLP
Grant Thornton House, Melton Street,
London NW1 2EP

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

THE BOARD



BACK LEFT TO RIGHT: Paul Darling, Stephen Haywood, Douglas Erskine-Crum, Paul Dixon, Mike Smith, Will Rosseff, David Bradshaw
FRONT LEFT TO RIGHT: Paul Roy, Penny Boys, Robert Hughes, Christopher Bell, David Thorpe

BOARD MEMBERS

Robert Hughes CBE

Chairman*

Penny Boys CB

Deputy Chairman*

Paul Darling*

Paul Roy

Chairman, British Horseracing Authority**

David Thorpe

Chairman, Racecourse Association**

Paul Dixon

Chairman, Horsemen's Group**

Christopher Bell

Chairman, Bookmakers' Committee

Mike Smith

Chairman, Horserace Totalisator Board

* Appointed by The Secretary of State

** In accordance with legislation, formally appointed by the Jockey Club

BOARD EXECUTIVES

Douglas Erskine-Crum CBE

Chief Executive and Accounting Officer

Stephen Haywood

Finance Director

David Bradshaw

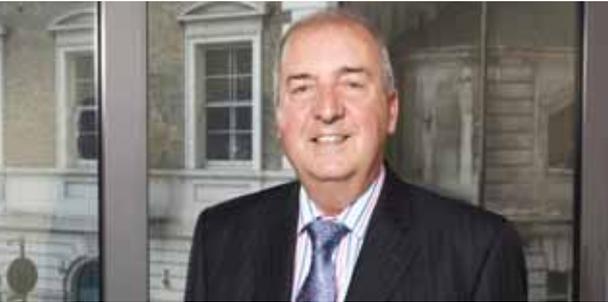
Racing Director

OBSERVER

Will Rosseff

Bookmakers' Committee

CHAIRMAN'S STATEMENT



An Open Letter to My Successor

Dear Chosen One,

First of all, congratulations on being appointed to one of the best jobs there is, for anyone interested in racing and betting. Like me, I am sure that you will receive a warm welcome on all sides and will find the experience both fulfilling and challenging. But, a word of warning, like Alice through the looking glass, you are entering a world where everything is not quite what it seems. The Levy is a unique, venerable institution, rather long in the tooth and, according to some, perhaps no longer really fit for purpose. There is a desire, on all sides, to replace it with something better but something better has yet to turn up. In the meantime, it is my opinion that, with all its imperfections, it has served racing and bookmaking rather well. I am sure that you will never forget that it is a statutory body, with legal powers to raise and distribute public money and that you are a public servant. I have found Ministers and Civil Servants very supportive but I have used their time sparingly. After all, your independence is important and they have rather a lot of other things to do. Your most prized possession will be your Racecourse Association badge. You will want to use it to visit, as I have, every racecourse in the country, as well as visiting trainers, studs, racing schools, betting shops and the like. You are now, in showbiz terms, a "triple A" person (Access All Areas).

Racing and bookmaking are joined at the hip although not necessarily anywhere else.

You will not meet many bookmakers (except for the Tote) in the Directors' Boxes at most British racecourses. Some bookmakers love horseracing, others not so much. A surprising number of people in racing do not bet and, I suspect, quite a few seldom visit a betting shop or the betting ring. Yet, racing is uniquely dependent on betting for a large part of its income and therein lies the rub. Racing has always felt that "they" don't pay enough for the privilege of laying bets on racehorses. Many bookmakers think that they pay either too much or quite enough and some even think that they should pay nothing at all. For all the huffing and puffing on both sides, the Levy sails not so serenely on, with very little change to its basic structure or income, plus ça change... The irony is that the most significant increase in Levy income (one could argue that it has been the only one) was achieved when, as a result of a very clever campaign by bookmakers, the basis of General Betting Duty was changed from turnover to gross profits, which was mirrored in the Levy. This eventually led to Levy income increasing by two thirds, with little effort on the part of either racing or the Levy Board.

The switch to a gross profits from a turnover based Levy has had an even more profound effect than simply increasing income. Firstly, and most obviously, it has directly linked the financial fortunes of racing and bookmakers ever more closely. Less obviously, it has been a major factor in stabilising the Levy. Since its inception, the percentage has stayed rock steady at 10% of gross profits, although the yield still goes up and down in accordance with the economic cycle and other factors. Whereas,

under the previous system, bookmakers had every incentive to minimise payments in bad times, by reducing the percentage of turnover and perhaps being a bit more generous in the good, now there is no real incentive to do so. It is a largely self regulating mechanism.

Not surprisingly, neither side has taken this fact of life lying down. In Levy negotiations, there is always the possibility of stalemate and a determination by the Secretary of State. Your job is, of course, to try to avoid such an outcome. It is at times like this that the support and encouragement of your fellow Independent Members and the Levy Board Executive (particularly the Chief Executive) are invaluable. Of vital importance, therefore, is a strong sense of team spirit and a willingness to act together. The unity of purpose of the Independent Members will be a vital factor in ensuring the success of your Chairmanship.

You will know that the Levy Board has recently restructured its organisation, agreed a modernisation programme (within the current legislative framework) and that the Levy is set for at least the next eighteen months. You might therefore be asking; "what is there for me to do?" The answer is, quite a lot. With a Levy deal for next year already in place, there is an excellent opportunity for racing and bookmaking to work more harmoniously together, towards a long term agreement and to their mutual benefit. Worryingly, racing continues to lose its market share of betting. When I became Chairman, it stood at over 60%, now it's down nearer 40%. There are two main reasons for this. Firstly, the Levy is a regressive tax; for every £1 of profit the

bookmaker has to pay 10p in Levy. On other forms of betting, he/she pays no Levy at all. So, not unnaturally, a fair amount of substitution takes place, not withstanding the fact that, for both bookmaker and punter, fixed odds betting on horseracing is the best deal in town. The second reason is that in the past racing, instead of concentrating its efforts on marketing itself more effectively and increasing other forms of income, has perhaps spent rather too much time and effort trying to find ever more novel ways of squeezing extra money out of the bookmakers. Self evidently, this has not been a successful strategy, certainly as far as the Levy is concerned.

So, at least two initiatives are needed. Firstly, more effective marketing, which I am pleased to say, is already in hand and should be facilitated with the help of the Levy Board. In recent times, racing has worked very hard to "get its act together", and the first fruits are beginning to show. Bookmakers (who have nearly always presented a united front) have also shown a willingness to work with racing and develop their long term relationship. Secondly, I would hope that you would be able to make further progress on the concept of a marginal rate of Levy; say 3% instead of 10%. For example, why not take the best of the last five years of a bookmaker's Levy returns and say that, for every pound over that figure, they pay Levy at the new marginal rate? This should create a real incentive to increase racing's share of the betting market. Perhaps the Government could adopt a similar principle with regard to Gross Profits Tax, in order to discourage the movement offshore of some bookmaking

activities. No doubt you will have even better ideas of your own.

It is a huge privilege to be Chair of the Levy Board; hard work but very rewarding. I will always remember with great fondness the generous and warm hospitality Eryl (my wife) and I have received from both the racing and betting industries; the friends we have made, the loyalty of the Levy Board staff both past and present (particularly my PA, Kathie Arundell, who has recently retired). The three great Chief Executives I have worked with and the tremendous support of the other Levy Board Members. Best of luck, keep both a sense of proportion and a sense of humour and, most of all, enjoy yourself!

Yours ever,
Rob

Robert Hughes CBE
Chairman

CHIEF EXECUTIVE'S REVIEW OF THE YEAR



It has been a very busy year for the Levy Board. The highlight was agreeing both the 48th and 49th Levy Schemes. On 31st October 2008, the Levy Board agreed the Bookmakers' Committee's recommendation of a further roll over of 10% of gross profits for the 48th Levy Scheme (2009/10). Then, on 28th April 2009, the Levy Board further agreed another roll over of 10% gross profits for the 49th Levy Scheme (2010/11) with the only variation being the annual RPI changes expressed as at 31st July 2009, which will be formally ratified by the Levy Board by 31st October once those figures are known.

Before the agreement on the 48th Levy Scheme, the Levy Board commissioned Sir Philip Otton QC to carry out Consultant's Advice. He provided three reports. The first was initial advice; the second was supplementary advice and dealt with betting exchanges and overseas racing; the third, known as Otton III, was the final version of his Consultant's Advice. The status of these reports was purely advisory.

During negotiations leading up to the agreement for the 49th Levy Scheme, the Bookmakers' Committee was minded to carry that principle forward to the 50th and 51st Levy Schemes for a period of three years starting on 1st April 2010, with the only variation being the annual RPI increases expressed as at 31st July, and all other terms and conditions remaining the same with the only force majeure being a change in fiscal policy. The extension to the 50th and 51st Schemes was not agreed, but the Bookmakers' Committee and Racing decided to work together across a range of issues. This may, in time, also lead to a long term levy arrangement.

Much work has been done on levy modernisation following the first meeting of the Racing Funding Review Group on 18th March 2008, when the key priority was to find a mechanism for funding horseracing that would not involve the Government in any further levy determination. It has however become clear that legislative amendments would probably be needed to carry out some of the changes required and therefore consideration was given to solutions that were more immediately available within the framework of the existing legislation and by agreement between the parties represented on the Levy Board. Both the Levy Board and the Bookmakers' Committee have statutory functions which cannot be delegated.

Therefore, without legislative change, the Levy Board concluded that it is currently not possible to find a mechanism for funding horseracing which does not involve the Government in a levy determination, in the event that the Levy Board and the Bookmakers' Committee cannot agree a scheme by 31st October annually. Thus the levy cannot be truly modernised within current legislation to the extent that some may wish. And, unless the legislation is changed, any levy modernisation is likely to result in small improvements rather than so-called full modernisation. To some, therefore, the levy cannot be defined as fully fit-for-purpose within current legislation, but it is what we have and remains in its current state for the foreseeable future. Hence the aim has been to minimise the need for Government to carry out a determination.

A revised process has therefore been agreed by the Levy Board. The Levy Board

continues to comply with its duty to consider the Bookmakers' Committee's recommendations by 31st October deadline annually, as set out in the 1963 Act. In short, the revised process sees the Board, through the independent Government-appointed members, overseeing the process at all times and appointing support to assist them and all parties throughout the process, if needs be. The Board will commence the annual process by inviting Racing to present proposals to the Board during the spring to which the Bookmakers' Committee will be invited to respond, hopefully making their formal recommendations to the Board by 30th June.

In the event that these are not accepted by the Board at first submission, further negotiations will take place overseen by the Government-appointed members who may, at any time, make an Independent Assessment, through such open and transparent process as they see fit, inviting the Bookmakers' Committee to take the result of their Independent Assessment into account when considering its formal recommendations prior to resubmission. In the event that the Bookmakers' Committee's further recommendations are still not accepted, the Board will consider whether or not to seek external support to assist in reaching a settlement and a further Independent Assessment may be made by the Government-appointed members, in the light of advice received, who will again invite the Bookmakers' Committee to take the results into account. The Bookmakers' Committee will then determine whether or not to revisit its offer in the light of the Independent Assessment or otherwise. Negotiations will, if necessary, continue to

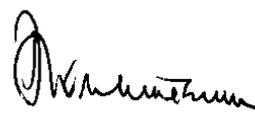
31st October, at which point, in the event that the Bookmakers' Committee's final offer is not accepted by the Levy Board, the scheme will have to be referred to the Secretary of State for determination.

Many other issues have involved the Levy Board this year, not least the decline in the levy outturn for the 47th Scheme. Last year's 46th levy included income from one-off high roller bets and, if these are excluded, then the 47th Scheme shows an 8% decline year on year. The Levy Board considered the implications at its June Strategy Meeting and reflected necessary adjustments in its future forecasts. The Board remains concerned about the leakage to the levy from horseracing business lost to offshore operators: Government is taking this forward as a matter of urgency. Racing has also been keen to negotiate on other issues, including those raised in Otton III but, however worthy the cause, the Bookmakers' Committee would need to include any such matters in their recommendations.

In the past few months, the Levy Board has moved offices from 52 Grosvenor Gardens to Parnell House, 25 Wilton Road, London, SW1V 1LW. This is a smaller, more cost-effective, open-plan office, which remains popular with our staff as it is so close to Victoria Station. We have also completed the organisational review, which resulted in changes to roles, job descriptions and personnel. In particular, we wish David Bradshaw, Racing Executive since 1993 and Racing Director since 1999, best wishes in his new role. We have recently been joined by Rob Skeggs as Finance Director and Alan Delmonte as Operations Director.

We've also re-established the Betting Patterns Working Party, with representatives from the betting and racing industries, to make recommendations on how to improve Levy yield and consider joint initiatives for the promotion and marketing of racing and off-course betting on racing.

Looking to the future, we will be looking to take the work of the Betting Patterns Working Party into new areas so that we can improve levy yield and this dovetails neatly with our intended support for the initiatives on the rebranding of racing. We will again be contributing to the cost of maintaining Channel 4 coverage of racing in 2010 in the interest of generating increased betting activity and enhancing the profile of the sport. We have started a review of the annual Levy distribution with implementation from 1st January 2011 at the earliest and will continue to seek a longer term Levy arrangement between the Bookmakers' Committee and Racing. We will support Government to change the policy concerning off-shore operators. The Executive team will carry out work on behalf of the betting and racing industries 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 race-goer and the off-course punter.



Douglas Erskine-Crum CBE
Chief Executive

MANAGEMENT COMMENTARY

FINANCIAL SUMMARY

The Levy yield for 2008/09 (including the Tote) is projected at £91.6m, which is 21% below the £115.3m achieved for the previous year. This is largely due to last year's "one off" telephone (credit betting) income as well as a general decline in horserace betting during the current year.

The breakdown of the yield from the 47th and 46th Schemes is as follows:

	08/09 £'m	07/08 £'m	Change %
Levy Scheme	47th(est.)	46th	
Off-Course Bookmakers			
Cash	61.8	69.8	-11
Telephones	12.8	26.6	-52
Internet	6.5	7.6	-14
Betting Exchanges	6.2	7.1	-13
On-Course Bookmakers	0.4	0.4	-
Spread Betting Bookmakers	0.1	0.1	-
Others	3.8	3.7	+3
Total	91.6	115.3	-21

The Board's Revenue Account for the year ended 31st March 2009 shows a deficit of £7.8m, compared to a surplus of £6.9m in 2007/08. For 2008/09 the Board budgeted for a revenue deficit in order to reduce cash reserves accumulated following the exceptional "one off" levy income the previous year. The Board will continue to plan for a Revenue Account deficit during 2009/10.

As a result of the exceptional income for the year 2007/08 the Board approved a substantial increase in Prize Money allocation from July 2008 onwards, raising the annualized total Prize Money grants from £49.5m to £62.5m. This increase in Prize Money was the major contributory factor to the annual deficit.

There has been a substantial improvement of Board's bank and cash reserves to £41.1m as at 31st March

2009. This reflects the conversion of the opening debtors of £25.5m as at 1st April 2008 that had arisen from the higher than expected levy yield in 2007/08.

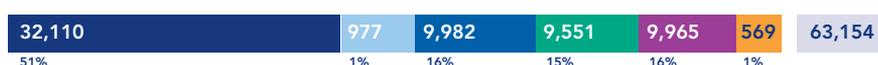
EXPENDITURE 2008/09	£'000
Prize money	59,418
Integrity services	24,978
Other racecourse expenditure	7,729
Administration	3,614
Veterinary	2,633
Improvement of breeds	1,917
Training	973
Other improvements (net)	449
Bookmakers' Committee	264
Total	101,975

PRIZE MONEY 2009	£'000
Betting Allocation	15,625
Enhancement Fund	2,700
Winter AWT Fixtures	2,880
Flat	
Basic Daily Rate	23,463
Apprentice Races	70
Seventh Races	831
Sub total	24,364 (59%)
Jump	
Basic Daily Rate	16,399
Seventh Races	532
Sub total	16,931 (41%)
Total (Flat and Jump)	41,295
Grand total	62.5m

CONTRIBUTIONS TO PRIZE MONEY £'000

TOTAL

FLAT 2007



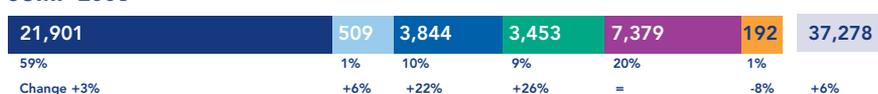
FLAT 2008



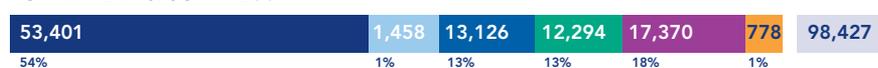
JUMP 2007



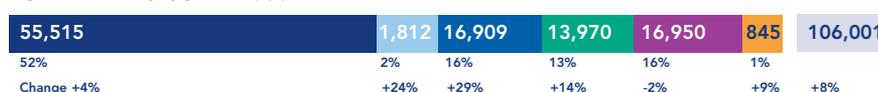
JUMP 2008



TOTAL FLAT & JUMP 2007



TOTAL FLAT & JUMP 2008



■ HBLB ■ BHA ■ Owners ■ Racecourses ■ Sponsors ■ Divided race fund

IMPROVEMENT OF HORSERACING



EPSOM The new grandstand at Epsom, opened by the Duchess of Cornwall at the Spring Meeting in April 2009. Partly-funded by the Levy Board with an interest free loan of £6m.



FFOS LAS The new stand, stabling, parade ring and car parks at Ffos Las, the first dual Flat and Jump racecourse to be built in the UK for many years, converted from an open-cast mine in Wales. Partly-funded by the Levy Board with an interest-free loan of £4m.

RACECOURSE MODERNISATION

During the year, the Board approved, by way of loans, £14.2m towards capital projects at racecourses and capital grants of £7.7m for use in racecourse improvement schemes.

Interest-free loans were made available to 8 racecourses for the improvement of racecourse facilities. The most significant of these were the development of the racecourse buildings at the new Ffos Las racecourse (£4.0m); grandstand works at Fontwell (£4.0m) and Exeter (£1.5m); track development and drainage works at Uttoxeter, Chepstow and Newcastle (£1.0m); a new stable yard at Musselburgh (£1.5m), and track development works and a new weighing room at Carlisle (£2.2m).

INTEGRITY OF RACING

The Board's continued emphasis on maintaining public confidence in the integrity of racing was reflected in the £25.0m expended under this heading during 2008/09. This sum was second only to the Board's investment in Prize Money.

The Board reimbursed to racecourses a total of £15.3m in respect of the BHA's Fixture and Regulatory Fees (2007/08: £22.2m). 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. Drug testing and drug research services were also reimbursed by the Board to the racecourses at a cost of £4.4m (2007/08 £4.2m).

The Board also continued to provide grants to racecourses for the provision of camera patrol and photo finish services which totalled £5.9m (2007/08: £5.9m).

PRIZE MONEY SCHEME

The Prize Money Scheme for the calendar year 2009 was originally framed within an allocation of £62.5m. However, following agreement of the 48th Levy Scheme (2009/10) and the subsequent increase in the size of the 2009 Fixtures' List, the revised allocation will be approximately £63.5m.

Full Basic Daily Rate (BDR) funding is being provided in 2009 for Criteria Fixtures (two afternoon fixtures on Mondays and

IMPROVEMENT OF HORSERACING

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 Tuesdays from January to April and September to December, and All Weather Track (AWT) fixtures in the main AWT season not designated as Criteria Fixtures). Funding of 80% is provided for all evenings. Funding of 50% is available for all other fixtures with the exception of BHA fixtures, Enterprise fixtures and Self-Funded fixtures.

The racecourse BDRs, details of which are shown on the Board's website www.hblb.org.uk, were computed in accordance with 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 £15.6m allocated by reference to the off-course betting turnover and gross profit generated by each racecourse, and
- an underpinning element relating to the number of fixtures in the 2009 Fixture List

For 2009, the Flat BDR for AWT racecourses during the main winter period was set at £34,850.

SEVENTH AND APPRENTICE RACE SCHEMES

The allocation to the 2009 Seventh Race and Apprentice Race Schemes was unchanged from the 2008 level of £1.4m and £70,000 respectively.

FIXTURES INCENTIVE SCHEME

The allocation to the 2009 Fixtures Incentive Scheme was unchanged from the 2008 level of £6.0m

ABANDONMENT PAYMENT SCHEME

The 2009 Scheme provides for the reimbursement to the racecourse of £10,000 per fixture following abandonment of a raceday. £1,040,000 was reimbursed to racecourses under these arrangements in 2008/09.

ALL WEATHER TRACKS (AWT)

The Board continues to support racing on

AWTs and the original 2009 Fixture List comprised 323 scheduled AWT fixtures. As in 2008 the majority of AWT evening fixtures were scheduled on Wednesdays, Thursdays, Fridays and Saturdays during the January to mid-April and September to December periods, to cater for evening opening of betting shops.

APPEARANCE MONEY SCHEME

The Board's allocation for Appearance Money in 2009 remained at the 2008 level. From 1st January 2009 owners who run their horses at any Sunday fixture receive a guaranteed payment of £120 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. Rating restrictions on Appearance Money payments apply to both the Flat and National Hunt.

POINT-TO-POINT MEETINGS

The Board's support for Point-to-Points in 2009 was increased to £312,000 from £309,000 in 2008. 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 2009 Divided Race Fund, which provides additional opportunities for the horse population, was £876,000.

VETERINARY & BREEDS

ADVANCING VETERINARY SCIENCE AND EDUCATION

In May 2008 the Board committed £2.25m to veterinary science and education to improve the health and welfare of Thoroughbred horses (2007/08: £1.8m). Allocation of this funding is advised by the Board's Veterinary Advisory Committee (VAC), a group comprised of scientists and veterinary surgeons with a broad range of expertise. The VAC ensures that funds are directed to research areas which are most beneficial to the Thoroughbred horse by consultation with other racing and veterinary groups, including the BHA Veterinary Committee.

Over £1.5m was awarded to ten new research projects beginning in October 2008. These projects were chosen on the basis of their scientific excellence and relevance to Thoroughbred racing or breeding. The funded research includes areas as diverse as *Rhodococcus equi* infection ('rattles'), exertional rhabdomyolysis ('tying up') and equine influenza. Through its joint-funding arrangement with the Board, the Thoroughbred Breeders' Association contributed £62,000 to fully fund a project investigating new methods for induction of fertile ovulation in mares.

Of the remaining £1m, £340,000 supported three new education awards: one new Research Scholarship, for research training leading to a PhD, was awarded to the Royal Veterinary College (RVC) in the field of biomechanics, and two new Clinical Scholarships, for high-level clinical training, were awarded to the RVC in equine pathology and the University of Glasgow in equine internal medicine. Both types of Scholarship aim to provide a core of expert equine clinicians and researchers in the UK.

A proposal from the Animal Health Trust (AHT) for a new three-year Equine Influenza Programme was approved, with the first year funded at £196,500. This continues the Board's support for a world-class research programme and expert response service for a disease of huge significance to the racing industry. The Board also awarded £141,300 to the AHT to continue support for the Infectious Disease Services programme.

Other areas of expenditure included: £21,600 on the 2008 Codes of Practice on equine diseases, which included a new Code on equine coital exanthema and fully updated guidelines for the prevention and control of strangles; £10,600 on travel grants to allow UK researchers to attend overseas events relevant to the Board's research interests; £15,500 to support the 2008 Thoroughbred Racing and Breeding Seminar at Cheltenham racecourse; £4,900 to produce the annual Veterinary Newsletter to communicate the results of Board funded scientific research to the racing and breeding industries; and £8,600 on sponsorship of conferences, including Clinical Research sessions at the 2008 BEVA Congress.

Additional to the annual budget, the £250,000 balance of previously approved funding was paid to support the final year of the Equine Genetics Programme, which is investigating the genetic basis of important musculoskeletal conditions affecting the Thoroughbred and is based at the RVC and AHT.

VETERINARY ADVISORY COMMITTEE 2008-09

Professor William Donachie BSc PhD CBiol FIBiol (Chairman)

Professor Celia Marr BVMS MVM PhD DEIM DipECEIM MRCVS

Professor Peter O'Shaughnessy BSc PhD

Professor Stuart Ralston MB ChB FRCP MD FMedSci FRSE

Mr Chris Rea BVM&S MRCVS

Professor Tim Skerry BVetMed PhD CertSAO FRCVS

Dr Geraldine Taylor BSc PhD

Mr John Walmsley MA VetMB CertEO DipECVS HonFRCVS

BREEDERS' PRIZES SCHEME

The Board's grant for Breeders' Prizes in 2009 comprises a basic allocation of £1.62m, unchanged from 2008, and a £280,000 transfer from the underspend on the 2008 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 are 100% more than for colts and geldings, subject to differential caps, although the winners of races restricted to fillies and mares do not qualify for the 100% additional payment.

Breeders' Prizes for Jump racing are payable to qualifying winners of Class 1-4 Steeplechases, all Graded, Listed and Class 1 Hurdle races, Class 2-4 Novice and Maiden Hurdle races and all Flat races.

For 2009 the Jump Breeders' Prize Scheme also awards a lesser percentage, 40% of the normal prize, to horses which were previously excluded

by one or more of the following criteria:

- the progeny of a stallion based overseas,
- had its first run on the flat,
- was sold as a foal outside Great Britain.

In addition, a voucher system awarded annually to top class Jump mares, to be used to purchase nominations to any British based stallion with effect from the 2009 breeding season, was introduced in 2008.

GRANTS TO BREED SOCIETIES

In 2008/09 the Board supported rare UK breeds of horse and pony with a total grant of £171,920 (2007/08: £171,920). This funding was allocated to thirteen breed societies. Each society utilises the grant in the most appropriate way for its unique breed improvement programme, which can include awarding stallion, mare and foal premiums and subsidising DNA testing or registration costs. Each use of the grant must support the Board's aim of improving pure-bred, native UK breeds.

In March 2008 the Board approved a change to the policy for award of rare breed grants. From 2010, only breeds listed on the Rare Breeds Survival Trust Watchlist

will be eligible to receive Board funding. This independent criterion ensures that rare breed funding is allocated transparently and fairly to rare, native breeds of horse and pony.

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

OTHER ACTIVITIES

CHARITABLE DONATIONS

Each year, the Board makes donations to charities associated with racing, equine welfare and gambling. Five charities will be supported in 2009 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 World Horse Welfare.

RETRAINING OF RACEHORSES

The Board also supports the BHA 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 2008/09 was £58,000 (2007/08: £58,000).

INDUSTRY TRAINING AND EDUCATION

The Board's commitment to racing and breeding industry education and training programme continues in 2009 and the grant to the British Horseracing Education and Standards Trust (BHEST) was increased from the 2008 level of £692,000 to £713,000.

The provision of an extensive suite of nationally recognised qualifications for stable and stud staff remains a core activity for BHEST. Furthermore, other BHEST activities include the professional development for jockeys through continuation courses for apprentices and conditionals and the Hands'n'Heels series, health and safety roadshows, and an equine college student conversion course.

The grant also supports the BHEST's school Education programme, which contributes to the delivery of the National Curriculum while introducing young people to racing. In 2008 £163,000 was applied to the programme and over 7300 school children participated along with 46 racecourses.

The preparation of learners for careers in Thoroughbred breeding through courses runs centrally for the breeding industry by

the Wavertree Charitable Trust (formally the National Stud) was supported for a sixth consecutive year with a grant of £216,000 for the 2008 calendar year. This supported the internationally renowned National Stud Diploma Course, the Foundation Modern Apprenticeship, short term work experience for school, college and veterinary students and a stud secretaries' course. The Board's funding for National Stud training will increase to £227,000 in 2009.

The Board's contribution to Thoroughbred breeding was further enhanced by support, for a fourth year in 2008, of the Stud Staff Project. The project is a central initiative taken by the Thoroughbred Breeders' Association (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 funding for the calendar year 2008 comprised a basic allocation of £60,000 and a top-slice of £28,000 from the 2008 Breeders' Prizes Fund. The Board's funds support the operating costs of the Project; the TBA supports the employment costs of the dedicated manager.

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 industry's interests.

47th & 48th LEVY SCHEMES

THE 47TH LEVY SCHEME

The 47th Levy Scheme (1st April 2008 to 31st March 2009) was finalised in February 2008 following the Secretary of State's Determination.

A bookmaker's 2008/09 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 £85,700 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 £85,700. A minimum levy payment of £2,144 applies.

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 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 £150.

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 47th Scheme was derived by taking the actual outturn of such business as reported by Coral, Ladbroke, and William Hill Bookmakers, averaged across their combined licensed betting office estates. The reporting period was the calendar year 2008 and the sample, which included over 6,150 shops, yielded a final figure of 44%, a 3% decrease over last year.

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

THE 48TH LEVY SCHEME

The 48th Levy Scheme (1st April 2009 to 31st March 2010) was approved by the Board in October 2008.

A bookmaker's 2009/10 Levy contribution is calculated by reference to the gross profit on (BHBB).

For off-course betting through licensed Betting Offices showing a gross profit on BHBB of £90,000 or more per year, a flat percentage charge of 10% applies. Abated charges apply to any licensed Betting Office with gross profits of less than £90,000. Other Media platforms (telephone, internet and other platforms) pay levy on a flat percentage charge of 10%. A minimum levy payment is no longer payable.

The levy for on-course betting is charged at a flat fee of £200. 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 fixed ring charges for racecourse attendance are no longer payable.

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 £158.

CONTRIBUTIONS FROM THE HORSERACE TOTALISATOR BOARD

The Board agreed that, for the 47th and 48th 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.

Levy Yield – 10 year record

2008-2009	£91.6m
2007-2008	£115.3m
2006-2007	£99.2m
2005-2006	£99.3m
2004-2005	£105.6m
2003-2004	£110.7m
2002-2003	£79.9m
2001-2002	£72.9m
2000-2001	£60.3m
1999-2000	£59.4m

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 light of observations made by the Board. The Committee was therefore in negotiation with the Board during Autumn 2008 on the terms of the 48th Scheme.

Agreement was reached in October 2008 after the Committee had taken part in a process conducted at the behest of the Board by Sir Philip Otton QC, a retired Lord Justice of Appeal, who was commissioned to provide advice to the Board.

The Committee's recommendations for the 48th Scheme were similar in most respects to those of the 47th Scheme, insofar as the main terms and conditions of the 47th Scheme were rolled forward to the 48th. However, three specific changes were made: the threshold above which the LBO operators pay Levy on their British horseracing business at the headline rate of 10% was raised by 5%, in line with RPI, to £90,000; the daily rate of £8 and £4, hitherto paid by racecourse bookmakers, has been abolished and they will instead pay an annual fixed fee of £200, to be adjusted each year in line with RPI; and the Minimum Guarantee, set at £2,144 for the 47th Scheme, has also been abolished.

In February 2009, the Committee made proposals to the Levy Board that the terms and conditions of the 48th Scheme should

be rolled forward again to the 49th Scheme and also offered the option, by informal agreement, of continuing this mechanism for the 50th and 51st Schemes, thus ensuring a period of stability until 31st March 2013. The repeat rollover proposal included provision for annual adjustments, in line with RPI, to the LBO threshold and the annual charge on racecourse bookmakers. It also contained provision for renegotiation should there be changes to the fiscal regime during the period of the agreement.

After a protracted period of consideration, the Board decided in April 2009 to accept the proposed rollover of the 48th Scheme to the 49th Scheme but declined to accept the offer of a 3-year deal offered by the Bookmakers' Committee, with which some Board members representing the interests of Racing were not comfortable.

The terms and conditions of the 49th Scheme will therefore be put formally to the Board in the Autumn of 2009 when the RPI figures used to calculate the annual adjustments become available during the month of August.

The costs of the Committee, which in 2008/09 amounted to £264,000 (2007/08 £249,000), are met by the Board.

THE BOOKMAKERS' COMMITTEE 2008/09

Chairman: **Christopher Bell** Ladbrokes plc

Vice Chairman: **Will Rosseff** ABB

Warwick Bartlett ABB

Howard Chisholm ABB

Michael Corbett ABB

Martin Cruddace The Sporting Exchange

Neil Goulden Gala Coral Group

James Henderson William Hill plc (from December 2008)

Keith Johnson NAB (from October 2008)

George Moir NAB (until October 2008)

Alan Ross Ladbrokes plc

Nick Rust Gala Coral Group

Ian Spearing William Hill plc (until Dec 2008)

Ralph Topping William Hill plc

Andrew Watson NAB

Secretary: **Group Captain Patrick Nixon**

ABB: appointed by the Association of British Bookmakers

NAB: appointed by the National Association of Bookmakers

POLICY STATEMENT 2009/10

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 2009/10 strategic 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. Generally, the Board will, within current financial constraints:

(a) 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 optimising the Board's Levy income whilst applying it as cost-effectively as possible.

(b) apply funds at an appropriate level to the improvement of breeds of horses and to veterinary science and education.

(c) 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.

(d) monitor its investments and maintain adequate cash balances.

(e) continue to seek a long term Levy deal.

(f) support the principle that British horse racing is the best in the world.

(g) encourage and promote betting on horse racing across the marketing mix.

5. Specifically in 2009/10, the Board will within current financial constraints:

(a) review the distribution of annual racing grants for implementation from 1st January 2011 at the earliest, including obligations on racecourses which receive funding.

(b) consider special joint initiatives for the promotion and marketing of racing and off-course betting on racing, including REL's rebranding of racing.

(c) obtain and analyse information about betting activities in order to inform accurately the British Horseracing Authority's optimal Fixtures' List so that turnover and profitability are maximised.

(d) contribute to the costs of racecourses of maintaining Channel 4 television coverage of racing in 2010 in the interests of generating increased betting activity and enhancing the profile of the sport.

(e) conduct a review of thresholds.

(f) examine whether or not there are individuals who should pay levy but are not currently doing so.

(g) support the Government's initiative to explore ways to ensure a more level playing field between British gambling operators and their overseas counterparts.

(h) assess the viability and desirability of introducing a marginal rate of levy.

POLICY OBJECTIVES

Levy Board Income

6. The Board will place increased emphasis on generating 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.

Financial Policy

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

8. The Board will ensure that there are adequate cash balances, sufficient to minimise any adverse effects on the funding of the Racing Industry from any fluctuations in Levy income, in 2009/10 and subsequently. 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 2009/10 and the subsequent two fiscal years, 2010/11 and 2011/12, have been agreed.

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

11. The Board will budget for a revenue account deficit in 2009/10 and fund it from cash balances brought forward.

LEVY BOARD EXPENDITURE

Improvement of Horseracing 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 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 2009/10 to the cost-effective provision of high quality camera patrol and photofinish services, and of a research-backed drug screening service, but the system will be altered from 1st January 2010.

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, stabling yards and hostels). Priority will also be given to projects relating to safety, drainage 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 Grant 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 indicates 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. 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 2010 will be calculated on the following 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 2010. The Board will pay Basic Daily Rates (BDRs) in 2010 of 100% to all afternoon, and 80% to all evening criteria fixtures. BDRs of 50% will continue to be paid for non-criteria fixtures. The Board will provide integrity funding in 2010 only for racecourse self-funded enterprise 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 and provide funding for an Enhancement Scheme, first set up in May 2008, to reward horses at or just below the highest level of ability. It will continue to allocate any interest generated on the proceeds from the sale of HFL Ltd to the BHA's Development Fund for 2010, which primarily supports the programming of races which are intended to serve a particular race planning role for young, developing horses of above average ability, or for certain pockets of the horse population which the race programme would not ordinarily meet the specific needs of to a satisfactory degree.

Fixture Criteria

29. In order to support the development of horseracing, the Fixture Criteria for 2010 will provide support for funded fixtures, including evening fixtures to complement year round evening opening of Betting Offices.

30. Funding for the 2010 Fixtures Incentive Scheme, which has been reviewed in consultation with BHA and the Racecourse Association, will remain unchanged at £6m.

Appearance Money Scheme

31. The Board will continue to support the Appearance Money Scheme in 2010.

Industry Training and Education

32. The Board will continue to contribute to the financing of the British Horseracing

POLICY STATEMENT 2009/10

Education and Standards Trust (BHEST) system of National Vocational Qualifications for stable staff, Wavertree Charitable Trust and 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 2010.

34. The Board will again provide a budget allocation in 2009/2010 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 2010 for the Breeders' Prizes Scheme which will continue to be subject to annual review.

36. Funding for Horses and Pony Societies in 2009/10 will be allocated on the basis of the agreed arrangements, which provide for funding for rare and heavy breeds of horses and ponies.

Veterinary Science and Education

37. The Board will maintain support to veterinary science and education in 2009/10, 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 Thoroughbred Breeders' Association's (TBA) 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.

38. The Board's financial support for veterinary science and education will total £2m in 2010.

Charitable Donations

39. 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.

Environmental and Sustainability Policy

40. 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

41. 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

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

Relations With Other Bodies

43. 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.

June 2009

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 website, 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 2009 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 planned Board meetings a year which are also attended by the executives;
- an Audit Committee which met three times in the year ended 31st March 2009;
- an Annual Report from the Chairman of the Audit Committee to the Board;
- internal audit 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:-

Penny Boys CB (Chairman)

Christopher Bell

David Thorpe

The Board's Audit Committee met three times 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 review, and where necessary recommend 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 review their findings;
- to consider any other matters when requested to do so by the Board.

The 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)

Christopher Bell

Paul Darling

This Remuneration Committee meets as required to:

- determine Executive remuneration;

CORPORATE GOVERNANCE

- 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.

Douglas Erskine-Crum CBE

Chief Executive and Accounting Officer

INDEPENDENT AUDITORS' REPORT

Report of the Independent Auditor to the Members of the Horserace Betting Levy Board

We have audited the financial statements of the Horserace Betting Levy Board ("the Board") for the year ended 31st March 2009 which comprise the revenue and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and notes 1 to 22. 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 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 auditor's 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Members, Chief Executive and auditors

The Members' and Chief Executive's responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 whether in our opinion the information given in the Management Commentary is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 Members' and Chief Executive's remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Chief Executive's Review of the Year, Management Commentary, Veterinary and Breeds, Other activities, 47th and 48th Levy Schemes, 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 audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and 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 transaction 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 Board's affairs as at 31st March 2009 and of its deficit for the year 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; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transaction conform to the authorities which govern them.

Grant Thornton UK LLP

Registered Auditors
Chartered Accountants
London

10th June 2009

REVENUE ACCOUNT & STATEMENT OF GAINS AND LOSSES

REVENUE ACCOUNT FOR THE YEAR TO 31st MARCH 2009

	Notes	2009 £'000	2008 £'000
Revenue			
Levy income receivable for:			
47th Levy Scheme (comparative is 46th Levy Scheme)	2a	91,646	116,500
Previous years' Schemes	2a	(1,115)	568
		90,531	117,068
Other income	2a	1,352	–
Interest and investment earnings receivable	2a	1,832	1,446
Total revenue		93,715	118,514
Expenditure			
Expenditure Costs:			
Improvement of Horseracing	4a	93,098	101,017
Other Expenditure	4b	8,512	9,427
Pension Finance Costs		365	1,406
Total Expenditure		101,975	111,850
Operating (Deficit)/Surplus		(8,260)	6,664
Exceptional Items	6	85	–
Loss on Disposal of Fixed Assets		(9)	–
Taxation	9	434	192
(Deficit)/Surplus for the year transferred to reserves	15	(7,750)	6,856

The deficit for the year arose from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR TO 31st MARCH 2009

	Notes	2009 £000	2008 £000
(Deficit)/Surplus for the financial year		(7,750)	6,856
Actuarial gain/(loss) on the defined benefit pension schemes	18d	21	(297)
Total recognised (losses)/gains for the year		(7,729)	6,559

BALANCE SHEET

BALANCE SHEET AS AT 31st MARCH 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Tangible fixed assets	10	305	93
Loans	11	29,844	43,456
Total fixed assets		30,149	43,549
Current assets			
Debtors	12	1,704	25,532
Loans due within one year	11	13,266	6,192
Current asset investments		36,163	21,000
Bank deposits and cash in hand		4,990	5,769
Total current assets		56,123	58,493
Creditors: amounts falling due within one year	13	(12,489)	(17,075)
Net current assets		43,634	41,418
Total assets less current liabilities		73,783	84,967
Provision for liabilities & charges	14	(2,333)	(2,942)
Net assets excluding pension asset/(liability)		71,450	82,025
Pension asset/(liability)	18b	123	(2,723)
Net assets including pension asset/(liability)		71,573	79,302
Reserves	15	71,573	79,302

These financial statements were approved and authorised for issue by the Board on 10th June 2009 and were signed on its behalf by:

Robert Hughes CBE
Chairman

Douglas Erskine-Crum CBE
Chief Executive

CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEAR TO 31st MARCH 2009

	Notes	2009	2008
		£'000	£'000
Net cash inflow/(outflow) from operating activities	16	6,088	(9,680)
Returns on investments and servicing of finance	17	1,832	867
Taxation		192	(1,409)
Capital expenditure and financial investment	17	6,271	(218)
Cash inflow/(outflow) before use of liquid resources		14,383	(10,440)
Management of liquid resources	17	(15,163)	9,000
(Decrease) in cash in the year		(780)	(1,440)
Reconciliation of net cash flow to movement in net funds			
(Decrease) in cash in the year		(780)	(1,440)
Movement in net funds in the year		(780)	(1,440)
Net funds at the start of the year		5,770	7,210
Net funds at the end of the year		4,990	5,770

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31st MARCH 2009

1. BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis. The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

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 financial statements:

a. Income

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 47th Levy Scheme for the year ended 31st March 2009) and an amount in respect of adjustments to estimates made in previous years.

Other income

Other income includes contributions received from Betfair and Blue Square.

Interest and investment earnings receivable

This includes changes in the value of investments in addition to interest accrued.

b. Stocks

No stocks are held.

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:

Short leasehold premises	Over the period of the lease
Furniture and Equipment	24 to 120 months
Motor vehicles	30 to 48 months

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 Board operates a defined contribution and a defined benefit pension scheme.

The cost of the defined contribution scheme is charged to the Board's revenue 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 Board's Revenue 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

All leases are regarded as operating leases and the payments made under them are charged to the income statement 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.

Current asset investments comprise accounts, investments on call and bonds.

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 Revenue 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.

NOTES TO THE FINANCIAL STATEMENTS

4. EXPENDITURE COSTS

4a. Improvement of Horseracing

	2009	2008
	£'000	£'000
Owners		
Prize money	56,642	54,204
Prize money for divided races	876	705
Appearance money scheme	1,443	1,557
Owners' Premium Scheme	–	181
Development fund	457	–
	59,418	56,647
Racecourses		
Abandoned fixtures	1,040	760
Fixture incentive scheme	5,918	5,892
	6,958	6,652
Integrity services		
Fixture fees	10,988	11,422
Regulatory Head Office Grants	4,347	4,317
Cost of Drug Testing and Research Services	4,406	4,221
New Threats Research Project	1	288
Integrity fees	5,845	5,889
BHA Pension Scheme Contribution	–	6,450
BHA Pension Scheme – Future Provision	(609)	2,942
	24,978	35,529
Training		
Industry training	973	964
	973	964
Other		
Point-to-point meetings	312	309
Research and development	33	26
IBAS	–	7
Weighing room scales	–	(4)
TRICL IV	–	10
Racecourse Stables CCTV Grant	–	(28)
Channel 4 Racing	458	879
Sundry	(32)	26
	771	1,225
	93,098	101,017

NOTES TO THE FINANCIAL STATEMENTS

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.

	2008/09				2007/2008			
	Board Salaries	Benefits	Pension Benefit	Total	Board Salaries	Benefits	Pension Benefit	Total
	£	£	£	£	£	£	£	£
Board Members								
Robert Hughes – Chairman	61,640	10,199	8,476	80,315	59,500	9,985	8,369	77,854
Chris Deuters (Deceased 13/03/08)	–	–	–	–	24,440	–	–	24,440
Penny Boys (Promoted to Deputy Chairman 01/07/08)	23,763	–	–	23,763	18,382	–	–	18,382
Paul Darling (Appointed 14/07/08)	13,760	–	–	13,760	–	–	–	–
Christopher Bell – Chairman of the Bookmakers' Committee	19,043	–	–	19,043	18,382	–	–	18,382
Sir Tristram Ricketts Bt – Chief Executive (Deceased 07/11/07)	–	–	–	–	110,712	6,080	33,559	150,351
Douglas Erskine-Crum – Chief Executive (Appointed 04/02/08)	218,000	2,665	–	220,665	30,743	–	–	30,743
	336,206	12,864	8,476	357,546	262,159	16,065	41,928	320,152

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

None of the other Board Members receive any remuneration.

8. STAFF NUMBERS AND COSTS

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

	2009	2008
	£'000	£'000
Administration	18	21
	18	21

The aggregate payroll costs of these persons were:

	2009	2008
	£'000	£'000
Wages and salaries	1,167	1,247
Social security	143	138
Pension costs	117	190
Redundancy payments	273	–
Other staff costs	86	59
	1,786	1,634

9. TAXATION

(a) Analysis of refund in year

	2009	2008
	£'000	£'000
Corporation tax at 28% (30% in 2008)	–	434
Overpaid in respect of the previous year	(434)	(626)
Tax Refund	(434)	(192)

The charge for corporation tax represents tax charged in the financial statements of the Board in respect of interest received less certain deductions.

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 (deficit)/surplus before taxation by the standard rate of corporation tax in the UK of 28% (30% in 2008). The differences are explained below:

	2009	2008
	£'000	£'000
(Deficit)/Surplus for the year before tax	(8,260)	6,664
(Deficit)/Surplus for the year multiplied by the standard rate of corporation tax	(2,313)	1,999
Effects of:		
Amounts not subject to taxation	2,313	(1,565)
Adjustments in respect of previous period	(434)	(626)
Current tax refund for the year	(434)	(192)

NOTES TO THE FINANCIAL STATEMENTS

10. TANGIBLE FIXED ASSETS

	Short leasehold premises	Furniture and equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000
Cost:				
At 1st April 2008	320	1,523	92	1,935
Additions	118	142	25	285
Disposals	(320)	(42)	(57)	(419)
At 31st March 2009	118	1,623	60	1,801
Depreciation:				
At 1st April 2008	320	1,495	27	1,842
Charge for the year	2	23	21	46
Disposals	(320)	(42)	(30)	(392)
At 31st March 2009	2	1,476	18	1,496
Net book value:				
At 31st March 2008	–	28	65	93
At 31st March 2009	116	147	42	305

11. LOANS

	2009	2008
	£'000	£'000
Secured:		
Repayable within five years	41,238	46,056
Repayable after more than five years	800	1,380
Unsecured:		
Repayable within five years	1,072	2,212
Total Loans	43,110	49,648
Loans included above due within one year	(13,266)	(6,192)
Loans due in more than one year	29,844	43,456

Loans are interest free.

12. DEBTORS

	2009	2008
	£'000	£'000
Amounts due from bookmakers and Tote in respect of levy income	–	24,127
Amounts due from bookmakers in respect of contributions	1,354	–
Net amount due from HMRC	–	192
Trade and other debtors	57	64
Prepayments and accrued income	293	1,149
	1,704	25,532

All the above amounts are due within one year.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£'000	£'000
Capital grants	3,932	11,764
Accruals	3,912	3,588
Amounts due to bookmakers and Tote in respect of levy income	3,131	–
Trade and other creditors	1,471	1,678
Social security	43	45
	12,489	17,075

14. PROVISIONS FOR LIABILITIES AND CHARGES

	BHA Pension Scheme Provision
	£'000
At 1st April 2008	2,942
Utilised in the year	(609)
At 31st March 2009	2,333

15. RECONCILIATION OF MOVEMENTS IN RESERVES

	2009	2008
	£'000	£'000
Reserves at 1st April 2008	79,302	72,743
Actuarial gain/(loss) on the defined benefit pension scheme	21	(297)
(Deficit)/surplus for the year	(7,750)	6,856
Reserves at 31st March 2009	71,573	79,302

NOTES TO THE FINANCIAL STATEMENTS

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

	2009	2008
	£'000	£'000
Operating (deficit)/surplus	(8,260)	6,664
Tax refund	434	192
National Stud loan	–	1,100
Interest and investment earnings receivable	(1,832)	(1,446)
Net pension finance charge	365	1,406
Depreciation	46	40
Pension settlements/curtailment	85	–
Pension contributions paid	(3,190)	–
Decrease/(increase) in debtors	23,636	(21,170)
(Decrease)/increase in creditors	(4,587)	1,172
Payments relating to Provision	(609)	(580)
Other non-cash movements	–	2,942
Net cash inflow/(outflow) from operating activities	6,088	(9,680)

17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2009	2008
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	1,832	867
Net cash inflow	1,832	867
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(285)	(50)
Sales of tangible fixed assets	18	–
Net loans advanced to racecourses	6,538	(168)
Net cash inflow/(outflow)	6,271	(218)
Management of liquid resources		
Amounts transferred to/from short term deposits	15,163	(9,000)
Net cash inflow/(outflow)	15,163	(9,000)

18. DEFINED BENEFITS RETIREMENT SCHEME

The Board operates a pension scheme providing benefits based on final pensionable salary. The Scheme is a multi-employer to which The National Stud (withdrew on 17th April 2008) and The National Joint Pitch Council (withdrew on 13th June 2008) contributed. 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 with an insurance company which insures estimated benefits for active and deferred members assuming a termination date of September 2009. In addition to an up front payment of approximately £24m paid by the Trustees in December 2005 plus three further instalments of approximately £3m, the last of which was paid in September 2008 (net of employees' 4% and employer's 14.2% contributions).

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.

During the year to 31st March 2009, the Board paid regular contributions to the Scheme.

The valuation used for FRS 17 disclosures has been based on a full assessment of the liabilities of the Scheme as at 30th June 2007.

The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

Actuarial gains and losses have been recognised in the period in which they occur, (but outside the Revenue Account), through the Statement of Recognised Gains and Losses (STRGL).

This disclosure note includes balance sheet and assumption details for three years. The details for three years ago, i.e. at the balance sheet date 2006, are not required for FRS 17 disclosure purposes.

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 17 are set out below:

	2009	2008	2007	2006
Rate of increase in pensionable salaries	4.6%	4.7%	4.2%	4.0%
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	3.4%	3.6%	3.2%	2.9%
Inflation rate	3.6%	3.7%	3.2%	3.0%
Discount rate	6.5%	6.9%	5.4%	4.9%
Rate of return on assets	6.4%	6.9%	5.4%	4.9%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 60 will live on average for a further 26.5 years if they are male and for a further 28.9 years if they are female.

For a member who retires in 2020 at age 60 the assumptions are that they will live on average for a further 27.3 years after retirement if they are male and 29.5 years after retirement if they are female.

NOTES TO THE FINANCIAL STATEMENTS

18. DEFINED BENEFITS RETIREMENT SCHEME continued

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

	2009	2009	2008	2008	2007	2007
	Market value	Expected rate of return	Market value	Expected rate of return	Market value	Expected rate of return
	£'000		£'000		£'000	
Structured buy-out policy	17,608	6.5%	12,449	6.9%	17,309	5.4%
Pensioner annuities	16,085	6.5%	15,103	6.9%	18,835	5.4%
Other	569	1.6%	1,375	6.0%	2,692	5.4%
	34,262		28,927		38,836	

b. The net pension liability comprises:

	2009	2008	2007
	£'000	£'000	£'000
Market value of assets	34,262	28,927	38,836
Actuarial value of liabilities	(34,139)	(31,650)	(40,037)
Surplus/(deficit)	123	(2,723)	(1,201)

	2009	2008
	£'000	£'000

c. Analysis of the amount charged to expenditure

Current service cost	(95)	(426)
Past Service Cost	–	(558)
Settlements/curtailments	85	–
	(10)	(984)

Analysis of amount charged to finance costs:

Expected return on pension scheme assets	1,780	1,712
Interest on pension scheme liabilities	(2,135)	(2,134)
Net finance charge	(355)	(422)
Net charge to revenue account	(365)	(1,406)

d. Actuarial loss recognised in the statement of total recognised gains and losses:

Change in the present value of the Scheme assets resulting from assumptions used to value a large insurance contract purchased during the year; and actual return less expected return on other Pension Scheme assets.

Actual return less expected return on Scheme assets	1,723	(9,467)
Experience gains and losses arising on the Scheme liabilities	(36)	1,020
Changes in assumptions underlying the present value of the Scheme liabilities	(1,666)	8,150
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses	21	(297)

18. DEFINED BENEFITS RETIREMENT SCHEME continued

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

	2009	2008
	£'000	£'000
Reserves at 31st March excluding pension liability	71,450	82,025
Pension surplus/(deficit)	123	(2,723)
Reserves at 31st March including pension liability	71,573	79,302

	2009	2008
	£'000	£'000
f. Movement in deficit during the year:		
Deficit in the Scheme at beginning of the year	(2,723)	(1,201)
Current service cost	(95)	(426)
Past service cost	–	(558)
Settlements/curtailments	85	–
Contributions (including third party contributions)	3,190	181
Net finance (charge)	(355)	(422)
Actuarial gain/(loss)	21	(297)
Surplus/(deficit) in the Scheme at end of the year	123	(2,723)

g. History of experience gains and losses

	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Actual return less expected return on Scheme assets	1,723	(9,467)	(2,222)	504	57
Percentage of Scheme assets	5.0%	(32.7%)	(5.7%)	1.4%	0.2%
Experience gains and losses on Scheme liabilities	(36)	1,020	(9)	3,834	464
Percentage of Scheme liabilities	(0.1%)	3.2%	0.0%	9.2%	1.2%
Total amount recognised in statement of total recognised gains and losses	21	(297)	360	(2,681)	(3,072)
Percentage of Scheme liabilities	0.1%	(0.9%)	0.9%	(6.4%)	(8.2%)

19. COMMITMENTS

At 31st March 2009 the Board had approved loans totaling £111.2m (£96.1m paid out) of which £53m has been repaid.

	Land and buildings	2008
	2009	£'000
	£'000	£'000
Expiry date:		
Within one year	238	165
Between one and five years*	933	–
	1,171	165

* A new lease for Parnell House was taken from the 4th November 2008 and will run until 25th February 2014.

NOTES TO THE FINANCIAL STATEMENTS

20. 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 (DCMS) 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, have undertaken any material transactions with the Horserace Betting Levy Board.

21. CONTINGENT LIABILITY

On 30th July 2007 the Board entered into an agreement with the British Horseracing Authority (BHA), the Jockey Club and Trustees of the Jockey Club Pension Fund and Life Assurance Scheme, now known as the BHA Pension Scheme (the Scheme), to guarantee the payment by the BHA of certain contributions to the Scheme.

Accordingly, based on actuarial assumptions agreed in 2006, the Board currently contributes £609,000 per annum to the Scheme in respect of its share of deficit contributions over a period (currently projected at no greater than six years) commencing on 1st August 2007.

In addition the Board has a contingent liability in the remote likelihood of the BHA becoming unable to meet its obligations, and has agreed if such circumstances arise to:

- a) meet the entire annual deficit contributions (currently £870,000 per annum);
- b) pay the BHA's future service contributions to the Scheme up to a maximum of 6.4% per annum of pensionable salaries;
- c) guarantee for 10 years from 1st August 2007 the full Scheme wind-up liabilities; up to a maximum of £32.5m in total, payable in five equal annual installments, only in the event that the Scheme is wound up by its Trustees as a result of the BHA becoming unable to maintain contributions, or terminates its participation in the Scheme, without substituting an alternative Principal Employer (Rule 66 of the Scheme).

This guarantee does not apply if the Scheme is wound up for any other reason.

22. OTHER ISSUES

National Joint Pitch Council Limited

At 31st March 2008 and 2009, the Board held 3 guarantees of £1 each, in the National Joint Pitch Council Limited, a company which administers the on course betting rings. The Board resigned its membership in NJPC on 13th June 2008.

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.

At the request of the Secretary of State for the Department of Culture, Media and Sport, the Board transferred the assets and operation of the National Stud to the Jockey Club on 17th April 2008.

