HORSERACE BETTING
HBLB
LEVY BOARD

2009/10 ANNUAL REPORT

October 2010

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 2009 to 31st March 2010.

Paul Lee
Chairman

Penny Boys CB
Deputy Chairman

Paul Darling

Paul Roy

Ian Barlow

Paul Dixon

Will Roseff

Mike Smith

Douglas Erskine-Crum
Chief Executive and
Accounting Officer

Opposite page: Mon Mome and Liam Treadwell win the 2009 John Smith's Grand National at Aintree. *Photograph: Trevor Jones*


JOHN SMITH'S

First I would like to thank my fellow Board Members and all those in the racing and betting industries who have made me feel so welcome and been so supportive since I started as Chairman last October. It is easy to underestimate the complexities facing the Levy Board, but I have enjoyed my first few months and look forward to building new relationships and cementing older ones in the next year.

In keeping with the times we now have a smaller team and smaller offices than we did last year. Indeed, our costs are £460,000 less than last year which represents a reduction of almost 13%. However we have not reduced our focus and the task has not diminished. I arrived shortly after our new Finance Director, Rob Skeggs, and our new Operations Director, Alan Delmonte, both of whom have given great support and brought first class professionalism to their roles. They are extremely well supported by their efficient team.

I am sure I started my tenure as Chairman, like so many, by asking what is the Levy, indeed is the Levy Board really necessary and is there a way of doing things differently? Having spent the last few months talking to the horseracing industry as a whole and the bookmakers, it is clear that there is a very important role for the Board to play. Indeed the role is becoming more vital as the issues become increasingly complex and the future of racing and ongoing funding becomes more and more crucial. Racing contributes significant amounts to the social and economic fabric of this country. There are a number of big issues that have been on the table for some time and I feel now is the time to address them.

We are in very difficult times. But it is important to remember what the Levy Board has contributed to British racing over the past ten years. We have collected and distributed nearly £1 billion.

Through this activity, the Levy Board has provided over £600m to horsemen and fixture incentives over the past ten years. We also fund the Integrity and Regulation costs for British racing which have increased from an annual cost of £17m just five years ago to £25m this year. Our expenditure in important but less high-profile areas, such as veterinary research and education, racing industry training and contributions to breeds of horses, including breeders' prizes, is both popular and necessary. We also should not forget the many advantages that racecourses obtain from the Levy Board, such as the Capital Fund and Capital Credit Scheme: we have contributed £352m in the last 10 years to racecourse developments, which have improved enormously the experience for racegoers.

In short, the Levy Board has been a great contributor to British racing and has more than achieved its initial objective set out many years ago.

But the world is changing and we cannot stand still. Over the past five years, in order to keep prize money at high levels and fund everything else, the Board decided to use its reserves in the expectation that Levy yield would remain static or potentially increase. This has not happened. By the end of 2010 we will have spent over £60m more than we have collected in that five year period, and the 48th Levy yield of £75.4 million can only be described as extremely disappointing to all of us: bookmakers because it meant that their gross profits had reduced, racing because there is considerably less money available for the rest of 2010 and for 2011, and the Levy Board because we were not able to take forward certain projects, and indeed have had to cancel some important parts of our budget. Difficult times, of course, are going on across the country, but racing has been somewhat protected from it over the last few years by utilizing our reserves. We must now stabilize and rebuild our reserves to suitable levels.

In hindsight it is possible to be of the view that one of the key decisions over the last few years made by the Levy Board has proved to be strategically flawed. That was the use of reserves to keep prize money at a higher level than was justified in terms of how much the Levy was actually producing. Therefore prize money was in effect kept at an inflated and unsustainable level because of a wish to improve consistently prize money levels or at least not reduce them beyond levels which had been set when the Levy was producing a larger amount of money. This policy would indeed be shown to be flawed if, in the future, prize money is reduced by an amount equal or greater to the reduction in contributions which the Levy Board is forced to make because of falling Levy yield. Our lack of reserves make it impossible for us to continue as we have recently. We will continue to run as efficiently as possible but that is not enough. If the benefit to British horseracing which the Levy has brought about through its support is not to be lost, others must step forward to share the burden. Racecourses have recently enjoyed, and it is forecast will continue to enjoy, increased revenues because of higher prices paid to them for picture rights. I hope they explore in particular whether funds from them can be made available, as some are beginning to do.

The industry must look at itself and see whether its cost base is appropriate and indeed whether its costs are spent in the most effective and efficient way. In particular are they properly targeted to sustain and improve the excellence of British horseracing? What is clear is that the industry as a whole needs to move away from a feast and famine existence which, as a result, has now left the cupboard bare. We need to create a much more certain future where the good times balance the bad times, as is inevitable in an industry heavily weighted to beating the odds.

Furthermore as I mentioned earlier there are some long running issues that need to be addressed. The Levy Board argues that offshore operators should be levied and it was disappointing to note that some £6 million will be taken out of the Levy following the movement of some bookmakers offshore. Additionally, we are proceeding with a consultation exercise inviting views and representations from all those with an interest on questions relating to and arising out of the issue of whether certain users of betting exchanges should be regarded as leviable bookmakers for the purposes of the Levy.

These are complicated issues, some of which have been looked at in the past, but we do so now with renewed vigour. If we need new legislation in the context of the Levy, we shall not shy away from it, granted Government support.

The essential tasks for the next year, therefore, are to agree a 50th Levy Scheme, to keep close to the new Government and make recommendations that will strengthen further the Levy, to carry out a consultative process over betting exchanges, to take forward our aspiration to charge Levy on overseas operators and to manage our cash in very difficult economic and financial circumstances.

I will be meeting members of the racing and betting industries over the coming months and look forward to that. I know that many people within these industries have not been told previously what the Levy is and what it does. I will explain that and listen to what you think.

Paul Lee
Chairman

The past year has been dominated by the very low return of the 48th Levy Scheme which ended on 31st March 2010. Since the inception of the Levy, the Board has had to make decisions about future expenditure, especially prize money levels, for the forthcoming year on information based on the previous year's Levy yield. In effect, this means that we are spending money ahead of the true outcome a year later. This has been managed satisfactorily when the Levy yield has matched or exceeded the budget, which has happened in most years until recently. When the Levy yield falls below the budget, bookmakers have to be refunded money that they have paid on account through the year and subsequent budgets have to be downgraded. In making future budgets and in assessing the Levy yield through a year, we are therefore, at least in part, dependent on the Bookmakers' Committee giving us reliable and accurate information.

This is not the first time that the Levy yield forecast has turned out to be inaccurate and it may not be the last. We are now actively exploring with the Bookmakers' Committee ways in which we might receive better and timelier information but this in itself requires complex modelling and a willingness on the part of bookmakers to share commercially confidential information with a neutral third party. We have managed to do this in the past and we are hopeful that we shall be able to do so again.

Hitherto, the Board has attempted to balance forecasting inaccuracies by drawing on reserves if the yield was lower than predicted or increasing reserves or prize money if the yield was higher. However, on this occasion the yield is substantially lower than forecast and, given the relatively low level of reserves held and the way in which prize money has been protected over the last three years, the Board's options are limited.

The original budget for 2010, drawn up in June 2009, forecast expenditure at nearly £94m based on the previous Levy yield and the Board's agreement to utilise reserves to minimise the effect of expected reductions in Levy in 2010, particularly cuts to prize money. In late 2009 this was downgraded to £88m, following the move offshore of certain bookmakers and revised estimates from the Bookmakers' Committee. In February 2010 this was downgraded again to £85m, following further estimates from the Bookmakers' Committee and, as a result, the Board had no option but to agree to reduce expenditure for the rest of 2010 by £4.3m, which was taken from prize money, fixture incentives, breeders' prizes, appearance money, the Levy Board's own expenditure on IT, the Bookmakers' Committee's budget, a provision made to Racing Enterprises Limited and the funding of regulation and integrity.

Having received this information and made appropriate decisions in March 2010, it was therefore extremely disappointing and surprising to receive the audited declarations from bookmakers a couple of months later which indicated that the actual Levy yield for the 48th Scheme was £75.4m. We understand from the Bookmakers' Committee that there were three principal factors which resulted in the subsequent reduction in yield: a better year for high rollers than the average; the migration of customers to internet sites, (most of whose betting operators are based offshore where overall levels of taxation are lower than in the UK, and which is also linked to a poor performance from telephone betting); and the overall economic recessionary effect, which has also resulted in a much larger number of shops trading below the threshold level when compared with previous years. Some bookmakers even expressed surprise and disappointment at these figures.

The Board agreed in June 2010 that it was necessary to make additional expenditure reductions of £3.125m in the remainder of the year, with prize money the main casualty with a further £2.1m cut.

Yet the efforts made by the Betting Patterns Working Party to increase Levy by making changes to fixtures have been successful: for example, we understand that the switch to twilight fixtures in the winter produced additional net revenue of around £400,000 for the Levy. This helped, but the overall, day to day turnover on British horseracing continues to be under pressure, even with the initiatives we are taking.

The Board is faced with an extremely difficult situation in which further substantial reductions will have to be made in 2011. This will make the negotiations for the 50th Levy Scheme (1st April 2011–31st March 2012) particularly important. As part of the Levy modernisation process, racing's appointees were invited to make the first submission to the Board in the spring of this year. This has provided more dynamism and more time. The Bookmakers' Committee made its recommendations in July 2010.

Meanwhile the Levy Board has supported Racing for Change and the principle that British horseracing is the best in the world. We have also assisted and supported the British Horseracing Authority, Racecourse Association and Horsemen's Group in reviewing the distribution of the annual racing grants for implementation from 1st January 2011, which resulted in agreed principles leading to the funding and structure of the 2011 programme: however, with the recent news that the 48th Levy yield was lower than expected, and with possible implications on the overall structure of racing, it is possible that not all the desired changes will be made.

For the first time, through the auspices of the Betting Patterns Working Party, the Bookmakers' Committee has obtained and analysed information about turnover on and profit from 26,000 races since 2007 to inform accurately decisions in the fixtures process.

Other milestones include contributing £1m 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. We have also conducted a review of shop thresholds which will be examined further in the context of the 50th Levy Scheme. An assessment was made of the desirability and viability of introducing a marginal rate of Levy, but this was not taken forward as it did not have agreement and would be administratively extremely difficult to put into effect from everybody's point of view.

The Levy Board itself continues to be an efficient organisation. Our overall administrative expenditure has fallen and we are working with a smaller staff in more cost effective offices.

The Executive team will continue to 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 that retains high standards of integrity and is attractive to the racehorse owner, racegoer and off-course punter, but that may not be quite the same in the future as it has been in the past without progress on some of the issues that I have highlighted here being resolved.

Douglas Erskine-Crum
Chief Executive

The Levy yield for the 48th Levy Scheme (including the Tote) is projected at £75.4m which is 17% below the final yield for the 47th Levy Scheme of £90.6m. This decline is attributable to a number of factors including the decision by a number of bookmakers to move their internet betting operations off-shore in 2009 and accordingly avoid paying Levy. In addition, current economic conditions, lower staking levels, good results for punters and weak margins have been major contributing factors. The combined effect is that a larger number of shops, when compared with previous years, have experienced a decline in leviable horserace betting business and are therefore trading below the threshold level and consequently paying an abated rate of Levy. Since thresholds are applied on a shop-by-shop basis, their benefit applies to all bookmaking firms, regardless of size. Finally it appears as if the high-staking punters had a successful year at the expense of some bookmakers.

The breakdown of the yield from the 48th and 47th Schemes is as follows:

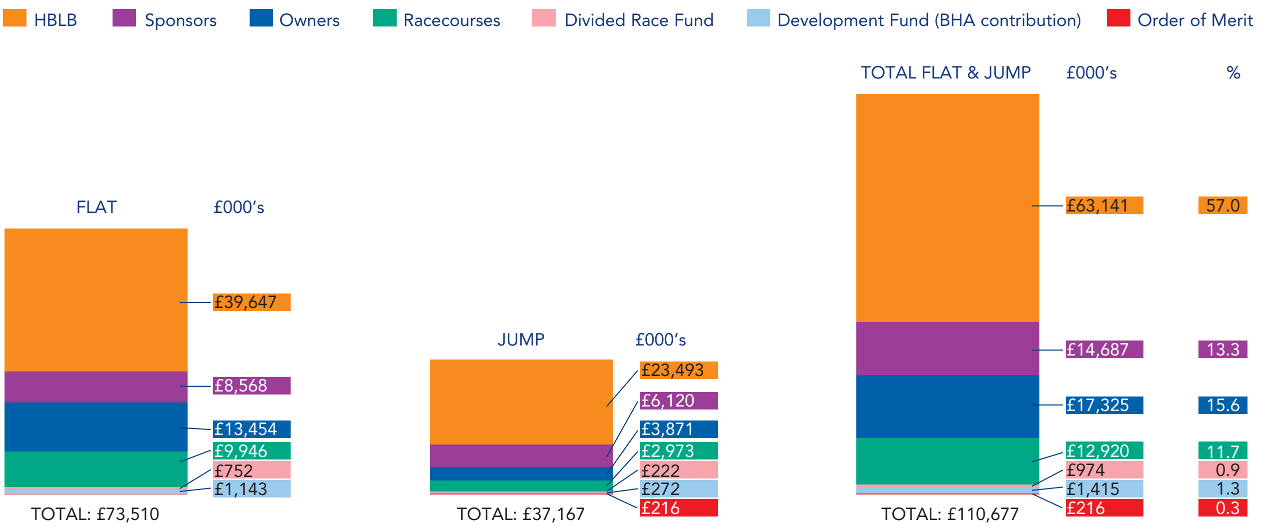
	09/10 £m	08/09 £m	CHANGE %
Levy Scheme	48th (estimated)	47th	
Cash	54.2	61.4	-12%
Phone	6.4	11.1	-42%
Internet	4.5	5.9	-24%
Others	10.3	12.2	-16%
TOTAL LEVY YIELD	**75.4**	**90.6**	**-17%**

The Board's Revenue Account for the year ended 31st March 2010 shows a deficit of £30.9m, compared to a deficit of £5.9m in 2008/09. The very disappointing Levy yield was the major factor for this exceptional deficit, and the Board was compelled to utilise accumulated reserves to ensure prize money and other expenditure commitments were met. The result is that there has been a significant decline in the Board's bank and cash reserves from £41.1m as at 31st March 2009 to £20.4m at the end of March 2010.

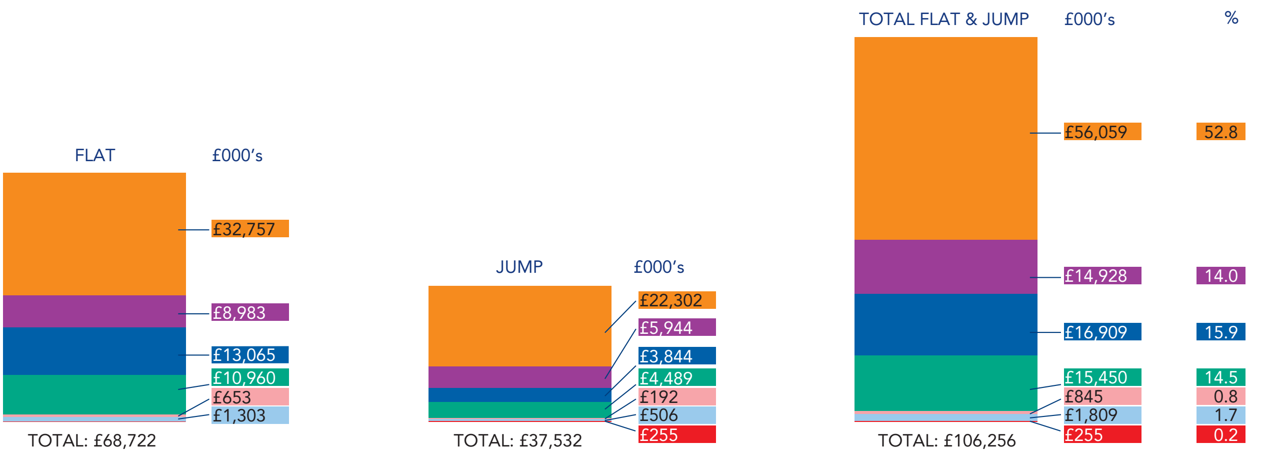
The Board is budgeting for a deficit during 2010/11 and therefore the bank and cash reserves are forecast to fall further in the coming year.

EXPENDITURE 2009/10	£'000
Horsemen	64,000
Integrity Services	25,342
Racecourses	6,638
Administration	3,153
Improvement of breeds	2,056
Veterinary	2,055
Training	1,225
Other	1,135
Bookmakers' Committee	261
TOTAL	**105,865**

2009 CONTRIBUTIONS TO PRIZE MONEY



2008 CONTRIBUTIONS TO PRIZE MONEY



PRIZE MONEY 2010 – ORIGINAL BUDGET	£'000
Betting Allocation	14,250
Enhancement Fund	2,564
Winter AWT Fixtures	2,592
Sub Total	19,406
FLAT (59%)	
Basic Daily Rate	21,360
Apprentice Races	70
Extra Races	750
Sub Total	22,180
JUMP (41%)	
Basic Daily Rate	14,934
Extra Races	480
Sub Total	15,414
GRAND TOTAL	**57,000**

The Board agrees the vast majority of its expenditure allocation on a calendar year basis. The Board's allocation to Prize Money for 2010 was £57m (2009: £62.5m), although this was subsequently reduced to £54.2m and then £52.1m in the light of revised income forecasts.

Full Basic Daily Rate (BDR) funding is being provided in 2010 for fixtures which take place in slots within the Board's Fixture Criteria (two afternoon fixtures on Mondays and Tuesdays, three on Wednesdays, Thursdays, Fridays and Sundays, and four on Saturdays and Bank Holidays and, for evening racing, two per evening from Monday to Saturday) and for Reserve Criteria Fixtures (third fixtures on Mondays and Tuesdays from January to April and from September to December, and All Weather Track (AWT) fixtures in the main AWT season (January to mid-March) that are not designated as criteria fixtures).

Funding is provided at 80% for evening fixtures and 50% for non-criteria fixtures, other than those non-criteria fixtures that are self funded by the racecourse, which receive no BDR funding.

Each racecourse's BDR, details of which are shown on the Board's website www.hblb.org.uk, were computed in accordance with arrangements agreed between interested parties, which comprise three elements:

- An amount calculated by reference to the latest three year average daily amount of its executive and sponsorship contribution to Prize Money.
- The share of the top-sliced £14.25m allocated by reference to the off-course betting turnover and gross profit attributable to its fixtures.
- A flat rate, underpinning element relating to the number of fixtures which it is programmed to stage in 2010.

For 2010, the BDR for AWT fixtures during the main winter period was set at £31,370.

Big Buck's (noseband) en route to winning the Grade 1 Racing UK on Virgin 536 Long Walk Hurdle at Newbury in December 2009. A substantial, additional prize money contribution from the Board enabled the race's transfer after Ascot's abandonment ten days earlier. *Photograph: Trevor Jones*

RACECOURSE MODERNISATION

During 2009/10, the Board approved, by way of loans, £2.75m towards capital projects at racecourses and capital grants of £634,453 for use in racecourse improvement schemes.

Interest-free loans were made available to five racecourses for the improvement of facilities. The most substantial were towards the developments of the Melrose Stand at York (£1.5m), the new stand in the Club Enclosure at Ludlow (£750,000) and the Minster Grandstand at Beverley (£300,000).

INTEGRITY OF RACING

Ensuring the protection of the integrity of racing remained the Board's first priority within that part of its expenditure devoted to the improvement of horseracing. This was reflected by the original allocation for 2010 of £24.5m. The Board reimburses racecourses in respect of the BHA's Fixture and Regulatory Fees. These cover the cost of licensed officials, the security and veterinary raceday officials and regulatory head office costs. Drug testing and drug research services are also reimbursed by the Board. Grants totaling £6.1m in 2010 have been allocated to racecourses for the provision of camera patrol and photo finish services.

EXTRA RACE AND APPRENTICE RACE SCHEMES

The total funds originally allocated for the Extra and Apprentice Race Schemes for 2010 were £1.23m and £70,000 respectively. The Extra Race Scheme, formerly the Seventh Race Scheme, was retitled and its purpose redefined, in consultation with BHA, in order to focus more on races likely to be Levy generative.

FIXTURES INCENTIVE SCHEME

For 2010 the initial allocation of funds to the Fixtures Incentive Scheme, under which the Board grants a sum to racecourses to stage fixtures in certain Levy generative slots which would otherwise be less attractive for them, was £5.8m.

ABANDONMENT PAYMENT SCHEME AND ADDITIONAL FIXTURES

The 2010 scheme provides a grant of £10,000 per fixture following an abandonment of a raceday. The initial allocation to the Abandonment Payment Scheme in 2010 was £450,000 but this was exceeded following the sustained cold weather in the early part of the year.

A Levy Board Capital Fund loan of £1.5m contributed to developments to York's Melrose Stand, including new viewing areas and the creation of enhanced facilities for owners.

The Board contributed £4,000 per fixture to facilitate an extra race at each of the first 43 midweek winter evening fixtures of 2010, which were converted into twilight (late afternoon) fixtures: the combined effect of the earlier start, the impact on existing afternoon fixtures and the additional race was estimated to have generated incremental net Levy benefit to the Board of some £400,000.

The Board sought to move very proactively to provide funding for additional AWT fixtures in early and mid January once it had become clear that a sustained spell of icy weather was anticipated and that Jump fixtures were likely to be cancelled.

Flexibility was the key and a number of parties worked together highly effectively to ensure that, as far as practically possible, Levy income was protected during what would otherwise have been a more damaging period. This included ensuring that Channel 4 had two fixtures to televise on Saturdays.

The Board also provided one-off funding to ensure that certain important, high-profile races which would otherwise have been lost could be restaged at alternative venues. Although not cost effective in Levy generative terms, the races were considered worthy of being maintained for the benefit of racing as a whole.

In the light of these experiences, contingency arrangements will be put in place so that additional AWT fixtures can quickly be activated over the Christmas and New Year period should bad weather strike again. The Board will look to be similarly flexible with rearranging fixtures in 2011.

ALL WEATHER TRACKS (AWT)

Racing on AWTs continues to be of strategic importance to racing and Levy generation and the original 2010 Fixture List included 302 scheduled AWT fixtures. As in 2009, 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 Licensed Betting Offices (LBOs). Following discussions at the Board's Betting Patterns Working Party and elsewhere, it was agreed to convert the first 43 Wednesday to Friday winter evening fixtures to twilight (late afternoon) slots in 2010 and to add a race to each card. The benefit to Levy generation was estimated by the Bookmakers' Committee to have been some £400,000, after factoring in the additional cost of the races.

APPEARANCE MONEY SCHEME

The Appearance Money Scheme in 2010 was budgeted to offer £1.425m, funded entirely the Board. Appearance Money payments were confined to all runners on Sundays, with no payments being made to other races such as certain Conditions events. This had the benefit of increasing the per runner payment on Sundays to £155 from £120.

POINT-TO-POINT MEETINGS

The Board's support for Point-to-Points in 2010 was £308,000. The funding ensured that the provision of veterinary, medical and security services, as well as course maintenance, remained of a high standard.

DIVIDED RACE FUND

The Board's allocation to the 2010 Divided Race Fund, which provides prize money for additional races, was increased to £1.8m from £876,000 in 2009, reflecting a new policy which will lead to more divided races. The additional cost to the Board of more races was anticipated to be outweighed by the incremental Levy yield.

Advanced progress on the construction of Fontwell's new Premier Grandstand, due to open in August 2010, aided by a £4m loan from the Board's Capital Fund in 2008/09.

Cheltenham's New Year's Day 2010 fixture went ahead after frost covers were laid, one of a number of high-profile fixtures benefiting from a £10,000 Levy Board grant towards the covers' deployment in expectation of freezing weather.

ADVANCING VETERINARY SCIENCE AND EDUCATION

For 2009/10, £2m (2008/09: £2.25m) was allocated to activities to improve the health and welfare of the racing and breeding thoroughbred. The Board's Veterinary Advisory Committee advises and recommends investment in priority areas identified in consultation with the racing and breeding industries.

Two thirds of the budget supports equine veterinary science research. A total of twenty eight projects were on-going throughout the year and in 2009, the Board awarded six new grants, worth over £1.2m, to investigate the questions:

- What are the most important risk factors for injuries in jump racing?
- What are the causes of equine tendon injury?
- How viable is the mandatory passport data on the National Equine Database to accurately plot the distribution of equines in the UK?
- To what extent is there drug resistance to de-wormers?
- How does the bacterium *Rhodococcus equi* cause infection, particularly severe respiratory disease of foals?
- What is the relationship between attachment of the bacterium *Streptococcus zooepidemicus* and causes of a range of equine respiratory diseases, particularly in young horses starting training?

Disease control is a priority area into which the Board invested over £430,000 in 2009. The Board contributed to a central fund (which it administers and is also supported by thoroughbred owners and breeders) for the second year of a four-year infectious disease programme. Hosted at the Animal Health Trust, it includes surveillance, testing, advice and expertise into equine infectious disease.

Funding for the second year of a rolling three-year world-class research programme and expert response service for equine influenza was also provided. Just under £22,000 was spent on publishing Codes of Practice for 2010 on equine diseases, which included the introduction of PCR (polymerase chain reaction) for testing the contagious equine metritis organism.

A third core area of expenditure is education and £321,000 supported three new education awards: research scholarships, for training leading to a PhD, were awarded to the University of Edinburgh in the field of immunology of equine gastrointestinal parasitism and to Imperial College in the field of metabonomics and metagenomics. One new clinical scholarship, for high-level clinical training, was awarded to the Royal Veterinary College in veterinary pathology. There were 14 on-going scholarships in 2009 that aim to provide a core of expert equine clinicians and researchers for the future. £10,700 was spent on travel grants to allow UK researchers to attend overseas events relevant to the the Board's research interests and a small sum supported access to online journals and other resources at the Royal College of Veterinary Surgeons Trust library.

The outcomes of the Board's veterinary investment were communicated to the racing and breeding industries via the 2009 Thoroughbred Racing and Breeding Seminar at Cheltenham racecourse and the annual Veterinary Newsletter. The Board's funding supported the clinical research sessions at the 2009 British Equine Veterinary Association Congress, providing a platform for new scientific research results to be presented.

VETERINARY ADVISORY COMMITTEE 2009

Professor William Donachie BSc PhD CBiol FIBiol *(Chairman)*
Professor Celia Marr BVMS MVM PhD DEIM DipECEIM MRCVS
Professor Peter O'Shaughnessy BSc PhD
Mr Rob Pilsworth BSc MA VetMB CertVR MRCVS (appointed April 2009)
Professor Stuart Ralston MB ChB FRCP MD FMedSci FRSE
Mr Chris Rea BVM&S MRCVS
Professor Tim Skerry BVetMed PhD CertSAO FRCVS *(Deputy Chairman)*
Dr Geraldine Taylor BSc PhD
Mr John Walmsley MA VetMB CertEO DipECVS HonFRCVS (retired June 2009)

A Board funded research project by Professor Alan Wilson, Royal Veterinary College, into the relationship between surface properties and factors predisposing to injury in the racehorse. The horse is at full gallop with a wirelessly synchronized system for measuring the horse/surface interaction. A GPS unit on the rider's helmet tracks speed and position, and accelerometers on the hooves measure impact decelerations. *Photograph: courtesy of Professor Alan Wilson, Royal Veterinary College.*

BREEDERS' PRIZES SCHEME

The Board's original allocation for Breeders' Prizes for 2010 was £1.54m. Prizes on the Flat are awarded to qualifying winners of all Class 1-4 and Class 5 Maiden and Novice races with payments rates for fillies and mares generally double those for colts and geldings.

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

For 2010 the Scheme also awards a lesser percentage, 40% of the Breeders' Prize, to those winners who were foaled on or after 1st January 2000 but 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.

Continuing in 2010 is the Board's Mare Voucher Scheme, awarded annually to the highest rated NH race mares, entitling them to a voucher up to £3,000 (subject to available funds) against a nomination to a British based stallion.

GRANTS TO BREED SOCIETIES

The Board funds grants to rare horse and pony breed societies for purposes directly relevant to the improvement of breeds. Thirteen societies benefited from total funding of £177,000 for 2009 (2008: £171,920). Societies contribute at least 20% of the value of the grant from their own resources. Each society utilises the grant in the most appropriate way for its unique breed improvement programme. This can include awarding stallion, mare and foal premiums and subsidies for registration fees, mare travel to premium stallions, animal inspection costs and breed show support.

From 2010, only breeds listed on the Rare Breeds Survival Trust (RBST) Watchlist will be eligible to receive Levy Board funding. This independent criterion ensures that rare breed funding is allocated transparently and fairly to rare, native breeds of horse and pony.

As the Irish Draught and British Percheron breeds are not on the RBST Watchlist, they received their final Levy Board grants in 2009.

SOCIETY	2009 GRANT £
British Percheron Society	16,770
Cleveland Bay Horse Society	14,470
Clydesdale Horse Society	12,460
Hackney Horse Society	15,900
Irish Draught Horse Society (GB)	18,600
Shire Horse Society	42,100
Suffolk Horse Society	20,500
Dales Pony Society	7,780
Dartmoor Pony Society	6,800
Exmoor Pony Society	5,970
Fell Pony Society	5,870
Highland Pony Society	3,810
Welsh Pony and Cob Society (feral Group A only)	5,970
TOTAL	**177,000**

Beethoven (blue cap) winning the 2009 Jumeirah Dewhurst Stakes at Newmarket. *Photograph: Trevor Jones*

Mastery (white cap) winning the 2009 Ladbrokes St Leger at Doncaster. *Photograph: Trevor Jones*

Above: Summer crowd at Goodwood

CHARITABLE DONATIONS

Each year, the Board makes donations to charities associated with racing, equine welfare and gambling. Five charities will be supported in 2010 with donations of £5,000 being made to each of Racing Welfare, the Mark Davies Injured Riders Fund, the Spinal Injuries Association, the GREaT Foundation (previously Responsibility in Gambling) and World Horse Welfare.

RETRAINING OF RACEHORSES

Retraining of Racehorses (RoR) is the BHA's official charity for the welfare, retraining and re-homing of horses who have retired from racing. For 2009/10 the Board's donation was £58,000, as in the previous year.

INDUSTRY TRAINING AND EDUCATION

The Board's commitment to racing and breeding industry education and training continues and the grant to the British Horseracing Education and Standards Trust (BHEST) in 2010 was £695,000 (2009: £713,000). This donation supports BHEST's core awarding body activities, providing an extensive suite of nationally recognised qualifications for stable and stud staff, as well as other BHEST activities.

The grant also supports the BHEST's Racing To School programme, which contributes to the delivery of the National Curriculum while introducing young people to racing. In 2009, £225,000 was applied to the programme and over 8,100 schoolchildren participated along with 51 racecourses.

The preparation of people for careers in thoroughbred breeding through courses run centrally for the breeding industry by the Wavertree Charitable Trust (formally the National Stud) was supported for a seventh consecutive year with a grant of £223,000 for 2009. 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 £228,000 in 2010.

The Board's contribution to thoroughbred breeding was further enhanced by support, for a fifth year in 2009, of the Stud Staff Project. The project is a central initiative by the Thoroughbred Breeders' Association (TBA) to implement the recommendations on the employment, retention and development of Stud Staff within the 2004 Report of the Stable and Stud Staff Commission. Support in 2010 will be £56,000 with a further top-slice from the Breeders' Prizes Scheme.

Opposite page: Yeats – four time Ascot Gold Cup winner. *Photograph: Trevor Jones*

Sir Tristram Ricketts Bt 1946 – 2007

The Tristram Ricketts Fellowship commemorates the former Levy Board and British Horseracing Board Chief Executive, who died in 2007. It provides the opportunity for an individual within British horseracing to acquire knowledge and experience at home and abroad, to gain a better understanding of the sport.

The Board invited applications during 2008 and, following an evaluation process, awarded the inaugural Tristram Ricketts Fellowship to Glen Sparkes. He is an instructor at the British Racing School (BRS) who teaches students to manage and ride thoroughbreds, enabling them to work as stable staff in racing. He was awarded the £10,000 Fellowship commencing on 1st January 2009.

During his year as the Tristram Ricketts Fellow, Glen's itinerary included shadowing world class equestrian performance training, Army troop and rugby club coaching in Britain, attending an intensive training programme for elite coaches and trips to Australian and American racing schools.

He wrote an extensive report for and made a presentation to the Levy Board and, as a result of the Tristram Ricketts Fellowship, Glen developed his teaching skills, facilitated improvements in the level of training delivered by the BRS and produces established trainees to service the racing industry for the future.

Above: Glen Sparkes (centre in picture), the inaugural Tristram Ricketts Fellow, with the King's Troop.

Opposite page: Kauto Star, the highest rated chaser since the current system of ratings began, winning his fourth William Hill King George VI Chase at Kempton. *Photograph: Trevor Jones*

THE 49TH LEVY SCHEME

The 49th Levy Scheme (1st April 2010 to 31st March 2011) was approved by the Board in October 2009 and was in all material respects identical to the 48th. A bookmaker's 2010/11 Levy contribution is calculated by reference to the gross profit on British Horserace Betting Business (BHBB).

For off-course betting through LBOs showing a gross profit on BHBB of £88,740 (48th: £90,000) or more per year, a flat percentage charge of 10% applies. Abated charges apply to any LBO with gross profits of less than £88,740 (48th: £90,000). Other media platforms (telephone, internet and other platforms) pay Levy on a flat percentage charge of 10%. 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 Levy payable by bet-brokers including betting exchanges is charged on a basis equivalent to 10% of their gross profits, defined as gross commission on BHBB deducted from the winnings paid out to bettors and bet-takers. Spread betting business is levied at 2% of gross profits. Bookmakers who conduct BHBB only on Point-to-Point and/or harness racing and/or trotting events pay a fixed contribution of £158.

The default percentage to be used by those bookmakers who are unable to calculate their gross profits on BHBB, and/or who do not operate Electronic Point of Sale (EPOS) systems, when making their 48th Scheme returns was based on a survey of over 6,000 LBOs which can identify the share. This figure is 43%, which compares with 44% for the 47th Scheme.

CONTRIBUTION BY THE HORSERACE TOTALISATOR BOARD

The Board agreed that, for the 49th Levy period, the Tote should, as was the case with the 48th period, contribute as if it were a bookmaker in respect of off-course starting price and Tote odds, cash, internet and telephone BHBB and, in respect of Tote Direct, at the rate of 10% of gross profits.

THE BOOKMAKERS' COMMITTEE

The main function of the Committee is to recommend annually to the Board the categories, rates, conditions and definitions of the Levy Scheme for the following year and, if appropriate, to consider revising such recommendations in light of the observations of the Board. The Committee therefore was under remit to agree with the Board, by 31st October 2009, the terms of the 49th Scheme. Secondary functions include a plethora of roles and functions providing support in line with the execution of Board policy.

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 key elements of the 48th Scheme had been:

- A threshold of £90,000, above which LBO operators pay Levy on their British horseracing business at the headline rate of 10%.
- Racecourse bookmakers pay an annual fixed fee of £200, to be adjusted each year in line with RPI.
- No Minimum Guarantee (previously set at £2,144).

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, subject only to an adjustment to be determined by the application of the annual Retail Prices Index figure as at 31st July 2009. It did however, decline to accept the offer of a three year deal offered by the Bookmakers' Committee, with which some Board members representing the interests of Racing, were not comfortable.

The rollover process 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.

In the event, RPI applied to the 49th Scheme was -1.4% which had the effect of reducing the LBO threshold to £88,740, a reduction of £1,260 per shop. This move was Levy beneficial as it lowered the point at which LBO operators paid Levy at the headline rate of 10%. The Committee decided not to apply the same -1.4% to the fixed annual fee paid by racecourse bookmakers, which was also Levy beneficial.

The costs of the Bookmakers' Committee, which in 2009/10 amounted to £261,000 (2008/09 £264,000), are met by the Board.

MEMBERS

Christopher Bell Chairman (until March 2010) Ladbrokes plc
Will Roseff Vice-Chairman (until March 2010) ABB; Chairman (from March 2010)
Thomas Murphy Vice Chairman (from March 2010) William Hill plc (from January 2010)
Warwick Bartlett ABB
Howard Chisholm ABB
Michael Corbett ABB
Martin Cruddace The Sporting Exchange
Neil Goulden Gala Coral Group
James Henderson (until January 2010) William Hill plc
Keith Johnson NAB
Chris Palmer (from December 2009) Ladbrokes plc
Alan Ross (until December 2009) Ladbrokes plc
Nick Rust Gala Coral Group
Ralph Topping William Hill plc
Andrew Watson NAB

General Secretary: **Group Captain Patrick Nixon** (until December 2009)
Stu McInroy (from December 2009)

ABB: Appointed by the Association of British Bookmakers
NAB: Appointed by the National Association of Bookmakers

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 2010/11 objectives, which the Board will pursue in its discharge of these statutory obligations. It will continue to review its objectives annually.

STRATEGIC OBJECTIVES

3. 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.
(b) Ensure its financial support for the racing industry is cost-effective, value for money and carefully monitored.
(c) Incentivise racecourses to increase their own contributions by linking grants to merit and Levy generation.
(d) Support the principle that British horseracing is the best in the world.
(g) Encourage and promote betting on horseracing across the marketing mix.
(h) Apply funds at an appropriate level to the improvement of breeds of horses and to veterinary science and education.
(i) Monitor its net assets and maintain adequate cash balances.
4. Specifically in 2010/11, the Board will, within current financial constraints:
(a) Keep under review the distribution of annual racing grants for implementation from 1st January 2011 and for 2012.
(b) Consider joint initiatives for the promotion and marketing of racing and off-course betting on racing with Racing for Change and through the Betting Patterns Working Party.
(c) Continue to obtain and analyse information about betting activities in order to inform accurately the British Horseracing Authority's optimal Fixture List.
(d) Contribute to the costs of racecourses of maintaining Channel 4 television coverage of racing in 2011.
(e) Proceed with a consultation exercise, inviting views and representations from all those with an interest, on questions relating to users of betting exchanges.
(f) Work with Government to require that overseas operators pay Levy.

POLICY OBJECTIVES

Levy Board Income

5. The Board will place 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 other interests.

Financial Policy

6. The Board will not borrow, other than when necessary, for short term cash flow purposes. Short term borrowing will be considered to help minimise any adverse effects on the funding of the racing industry from any fluctuations in Levy income in 2010 and beyond. Cash balances will be kept under regular review.
7. The Board will work closely with bookmakers to ensure that forecast Levy income is accurate.
8. The Board will look to reintroduce the approval of new loans from its Capital Fund when it is able to do so. Appropriate rates of interest and introductory fees will be charged on any new loans approved.
9. The Board will consider proposals for the investment of its reserves, when it is able to do so.
10. The Board will budget for a revenue account deficit in 2010/11 and fund it from cash balances brought forward and short term cash borrowings as required.

LEVY BOARD EXPENDITURE

Improvement of Horseracing

Integrity of Racing

11. The Board will contribute to the cost-effective provision of technical, security and regulatory services, for the protection of the integrity of racing, in the interests of the racing public, punters and participants.

12. The Board will contribute to the cost-effective provision of high quality camera patrol and photo-finish services and of a research-backed drug screening service.

Racecourses

General

13. The Board will maintain its support for the provision of a countrywide live horseracing entertainment and wishes, in principle, to see existing racecourses continue in business. This objective will be constrained by available financial resources and therefore the Board will not support any racecourse regardless of cost.

14. In particular, the Board will not give a racecourse special financial assistance by way of revenue support to enable it to remain in business.

Capital Support

15. 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, when it is able to do so.

16. The Board's priorities, in assessing applications, will be: capital improvements needed as a result of British Horseracing Authority/legal requirements; followed by horse specific projects such as turf, drainage or stabling; revenue generating projects; applications from parties other than racecourses for the improvement of horseracing or another Levy Board responsibility; and loans to racecourses for non-horse specific projects. 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.

17. 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.

18. The Board will help finance both revenue-earning and non revenue-earning projects with interest-bearing loans from its Capital Fund, subject to available financial resources, 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.

19. 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.

20. 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

21. 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

22. 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 of grouping potential.

New Racecourses

23. 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

24. 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. The Board will continue to incentivise racecourses to complement this allocation by maximising their own contributions, with a view to increasing the size of the total prize money pool.

Fixture Criteria

25. The Board's Fixture Criteria for 2011 will provide support for funded fixtures, according a high priority to Levy generation.

26. The Board will continue to make provision for its Fixtures Incentive Scheme in 2011.

Other Heads of Expenditure

27. The Board will continue to make appropriate grants to other heads of expenditure in pursuit of its statutory obligations.

Environmental and Sustainability Policy

28. 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

29. 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

30. 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

31. 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 the Department for Culture, Media and Sport and the Gambling Commission.

July 2010

BOARD MEMBERS

Paul Lee*
Chairman

Penny Boys CB*
Deputy Chairman

Paul Darling*

Paul Roy**
Chairman, British Horseracing Authority

Ian Barlow**
Chairman, Racecourse Association

Paul Dixon**
Chairman, Horsemen's Group

Will Roseff
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
Chief Executive & Accounting Officer

Rob Skeggs
Finance Director

Alan Delmonte
Operations Director

OBSERVER

Thomas Murphy
Bookmakers' Committee

STATEMENT OF RESPONSIBILITIES OF MEMBERS AND THE ACCOUNTING OFFICER OF THE HORSERACE BETTING LEVY BOARD

The members and Accounting Officer are responsible for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards.

The Betting, Gaming and Lotteries Act 1963 (as amended) requires the Horserace Betting Levy Board to prepare financial statements in respect of each Levy period. In preparing these financial statements, the members and Accounting Officer are required to:

- Observe the Accounts Direction issued by the Secretary of State for the Department of Culture, Media and Sport, including the relevant accounting and disclosure requirements, and apply them on a consistent basis.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Board will continue its activities.

The members and Accounting Officer 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 Betting, Gaming and Lotteries Act 1963 (as amended). 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 above statement should be read in conjunction with the statement of auditors' responsibilities set out in the auditors' report on page 25.

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.

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 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.
- That they have taken all the steps that they ought to have taken in order to make themselves aware of any relevant information and to establish that the Board's auditors are aware of that information.

REGISTER OF MEMBERS' INTERESTS

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

STATEMENT OF 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 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

As Accounting Officer I acknowledge my overall responsibility for ensuring that the Board is committed to high standards of Corporate Governance, including the effective management of risk throughout the Board. 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.

The risk and control framework

A risk register is in place which is approved by the Board. The Audit Committee is provided with an updated report at every meeting to ensure effective monitoring of risks. The process to embed risk management within the Board's procedures continues to develop, although further improvement is required before we can say it is fully embedded in all our procedures. The Board is developing an improved self-assessment approach for risk identification and staff will be asked to identify the risks to their objectives, to evaluate these and to identify the necessary controls.

The Audit Committee and the Board have agreed eight principal risk categories, which are continually monitored. Each principal risk has an impact analysis and a risk evaluation. Early warning indicators of the risk materialising have been identified and all of the risks are assigned Risk Owners i.e. someone with sufficient authority to ensure the risk is addressed. The risk register is constantly kept under review.

Any areas of concern that are identified are addressed, in line with the risk they pose. The process is continuing to evolve and the Board will give greater emphasis to stressing the importance of internal control procedures and ensuring that they are embedded within the organisation. The Board will continue to address issues identified by Internal Audit, relating to improving the control and the assurance framework, and ensure that outstanding agreed actions relating to identified internal control weaknesses are remedied promptly. Progress will be reviewed as part of the Audit Committee's remit.

Review of effectiveness

As Accounting Officer, I have the responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to ensure continuous improvement of the system is in place. In particular the Board has established the following processes:

- At least nine planned Board meetings a year which are also attended by the Executives. The Board regularly reviews quarterly and annual financial reports which indicate financial performance against the budget that is agreed by the Board.
- The Audit Committee meets three/four times a year and supports me in my responsibilities for risk management, control and governance. The Chairman of the Audit Committee reports annually to the Board.
- Internal audit undertaken by external advisors. For the year ended 31st March 2010, no significant control issues were identified by their work.

As a result of the above, there is nothing of which I am aware that leads me to believe that our systems of control are not adequate.

AUDIT COMMITTEE

The Members of the Audit Committee for the year ended 31st March 2010 were as follows:-

Penny Boys CB (Chairman)
Chris Bell
David Thorpe (Retired July 2009)
Ian Barlow (Appointed September 2009)

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 auditors' 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.

REMUNERATION COMMITTEE

The Board has a Remuneration Committee, the Members of which were as follows for the year ended 31st March 2010:-

David Thorpe (Chairman) (Retired July 2009)
Paul Darling (Chairman) (Appointed Chairman August 2009)
Chris Bell
Paul Lee (Appointed October 2009)

This Remuneration Committee meets as required to:

- Determine Executive and staff remuneration.
- Make recommendations to the Board on issues of organisation and remuneration policy.

Details of the Board Members' and Chief Executive's remuneration are disclosed in note 6 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. Control measures are in place to ensure that all of the Board's obligations under equality, diversity and human rights legislation are complied with.

SICKNESS ABSENCE

Average days sickness absence per person employed by the Board during the year ended 31 March 2010 was 1.6 days. This figure does not include one employee who was absent from work for a continuous period between April and August 2009.

INFORMATION MANAGEMENT

The Board has suffered no protected personal data incidents during 2009-10 or prior years, and has made no reports to the Information Commissioner's office.

Douglas Erskine-Crum
Chief Executive and
Accounting Officer

REPORT OF THE INDEPENDENT AUDITORS 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 2010 which comprise the statement of comprehensive income, the statement of financial position, the cash flow statement, the statement of changes in reserves and notes 1 to 21. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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, Accounting Officer and auditors

The Members' and Accounting Officer's responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and accounting standards (International Financial Reporting Standards) are set out in the statement of responsibilities of Members and the Accounting Officer.

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 Accounting Officer'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, Improvement of Horseracing, Breeds and Veterinary, 48th and 49th Levy Schemes and 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 Practice's 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 Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Board's affairs as at 31st March 2010 and of its deficit for the year then ended.
- The financial statements have been properly prepared in accordance with the Accounts Direction issued by the Secretary of State for the Department for Culture, Media and Sport.
- The information given in the Management Commentary is consistent with the financial statements; and
- In all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
London

14th July 2010

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2010

	Notes	2010 £000	2009* £000
Revenue			
Levy income receivable for:			
48th Levy Scheme (comparative is 47th Levy Scheme)	2a	**75,385**	91,646
Previous years' Schemes	2a	**(904)**	(1,115)
		74,481	90,531
Other income	2a	**–**	1,352
Interest receivable	2a	**855**	2,216
Total revenue		**75,336**	94,099
Expenditure			
Improvement of horseracing	4a	**(97,868)**	(91,244)
Other expenditure	4b	**(7,837)**	(8,501)
Pension finance costs	18c	**(281)**	(365)
Profit/(loss) on disposal of non-current assets		**5**	(9)
Net gain/(loss) on available-for-sale financial assets	13	**116**	(310)
Total expenditure		**(105,865)**	(100,429)
Operating deficit		**(30,529)**	(6,330)
Income tax refund	8	**–**	434
Deficit for the year		**(30,529)**	(5,896)
Other comprehensive income:			
Actuarial (loss)/gain on the defined benefit pension scheme	18g	**(348)**	21
Total comprehensive income for the year		**(30,877)**	(5,875)

The deficit for the year arose from continuing operations.

*These comparatives have been restated under IFRS, as set out in note 3.

The notes on pages 30 to 47 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2010

	Notes	2010 £000	2009* £000	2008* £000
Assets				
Non-current assets				
Property, plant and equipment	9	**198**	305	93
Loans	11	**25,065**	28,035	32,759
Total non-current assets		**25,263**	28,340	32,852
Current assets				
Trade and other receivables	10	**346**	1,704	25,532
Loans due within one year	11	**14,009**	13,142	12,944
Financial assets	13	**12,481**	31,786	15,153
Cash and cash equivalents	14a	**7,893**	9,367	11,616
Total current assets		**34,729**	55,999	65,245
Total assets		**59,992**	84,339	98,097
Current liabilities				
Trade and other payables	15	**(19,054)**	(12,489)	(17,075)
Provisions	16	**(601)**	(602)	(597)
Total current liabilities		**(19,655)**	(13,091)	(17,672)
Total assets less total current liabilities		**40,337**	71,248	80,425
Non-current liabilities				
Provisions	16	**(1,057)**	(1,626)	(2,082)
Pension (liability)/asset	18b	**(412)**	123	(2,723)
Total non-current liabilities		**(1,469)**	(1,503)	(4,805)
Total net assets		**38,868**	69,745	75,620
Reserves	1	**38,868**	69,745	75,620

These financial statements were approved and authorised for issue by the Board on 14th July 2010 and were signed on its behalf by:

Paul Lee
Chairman

Douglas Erskine-Crum
Chief Executive and Accounting Officer

*These comparatives have been restated under IFRS, as set out in note 3.
The notes on pages 30 to 47 form part of these accounts.

CASH FLOW STATEMENT FOR THE YEAR TO 31st MARCH 2010

	Notes	2010 £000	2009* £000
Cash flow from operating activities			
Operating deficit for the year		**(30,529)**	(6,330)
Adjustments for:			
Depreciation		**86**	46
Interest receivable		**(855)**	(2,216)
Fair value adjustment for loans receivable	4, 11	**(23)**	(2,011)
Net pension finance charge		**281**	365
Pension contributions paid		**(94)**	(3,190)
Decrease in trade and other receivables		**1,358**	23,636
Increase/(decrease) in trade and other payables		**6,565**	(4,586)
Decrease in provisions		**(570)**	(451)
Cash (consumed)/generated from operations		**(23,781)**	5,263
Unrealised (gain)/loss on financial assets	13	**(104)**	344
Income tax		**–**	626
Net cash flow from operating activities		**(23,885)**	6,233
Cash flow from investing activities			
Purchase of property, plant and equipment		**(14)**	(285)
Proceeds of disposal of property, plant and equipment		**40**	18
Net loans advanced to racecourses	11	**2,126**	6,538
Interest and investment earnings		**855**	2,216
Net cash flow from investing activities		**3,007**	8,487
Cash flow from financing activities			
Amounts transferred from/(to) financial assets		**19,404**	(16,969)
Net cash flow from financing activities		**19,404**	(16,969)
Net decrease in cash and cash equivalents		**(1,474)**	(2,249)
Cash and cash equivalents at 1st April		**9,367**	11,616
Cash and cash equivalents at 31st March		**7,893**	9,367

*These comparatives have been restated under IFRS, as set out in note 3.

The notes on pages 30 to 47 form part of these accounts.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31st MARCH 2010

	Reserves
	£000
At 1st April 2008*	75,620
Changes in reserves 2008/2009	
Retained deficit for the year*	(5,896)
Actuarial gain on the defined benefit pension scheme	21
Total comprehensive income for 2008/2009	**(5,875)**
Balance at 31st March 2009*	**69,745**
Changes in reserves 2009/2010	
Retained deficit for the year	(30,529)
Actuarial loss on the defined benefit pension scheme	(348)
Total comprehensive income for 2009/2010	**(30,877)**
Balance at 31st March 2010	**38,868**

*These comparatives have been restated under IFRS, as set out in note 3.

The notes on pages 30 to 47 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31st MARCH 2010

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, except available-for-sale financial assets, provisions and loans receivable that are stated at fair value.

This is the first time the Board has prepared its financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with UK accounting standards. Details of how the transition from UK accounting standards to IFRS has affected the Board's reported financial performance and cash flows are given in note 3. Certain amounts have been reclassified in respect of prior years for the purposes of comparability. These items have been disclosed within the appropriate notes to the accounts.

The financial statements have been prepared in a form as directed by the Secretary of State for Culture, Olympics, Media and Sport and meet the disclosure and measurement requirements, in so far as it is applicable, of the 2009 – 2010 Government Financial Reporting Manual (FReM) issued by HM Treasury.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Board for the purposes of giving a true and fair view has been selected. The preparation of financial statements in conformity with the FReM requires the use of estimation and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of the FReM that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

Betting, Gaming and Lotteries Act 1963

The statement of comprehensive income is in accordance with the provisions of the above Act (as amended). 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.

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

2. Accounting policies

A summary of the Board's accounting policies that are material in the context of the financial statements is set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

First-time adoption

In preparing these financial statements, the Board has followed IFRS 1, 'First-time Adoption of International Financial Reporting Standards'. The following principal accounting policies have been applied consistently in dealing with items that are considered material to the Board's financial statements:

a) Revenue

Levy income

Receivable from bookmakers, Levy income represents the total amount which it is estimated will be collected in respect of the Levy Scheme for the 48th Scheme (for the year ended 31st March 2010) and an amount in respect of adjustments to estimates made in previous years.

Other income

Other income principally comprises voluntary contributions received from bookmakers.

Interest receivable

Interest income represents interest receivable during the financial year on the financial assets held and on cash.

b) Leases

Payments made under leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

c) Improvement of horseracing and 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 statement of comprehensive income 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.

d) Property, plant and equipment

Items of property, equipment and motor vehicles are initially recognised at cost. Depreciation is provided on all items of property, equipment and motor vehicles to write off the cost, less residual value, by equal monthly instalments over their estimated useful economic lives. The Board consider that the historic depreciated cost is a sufficiently accurate estimate of the fair value of these assets to be used for reporting purposes.

Estimated useful economic 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

2. Accounting policies *continued*

e) Trade and other receivables

Trade receivables are reflected net of an estimated provision for doubtful accounts. This provision is based primarily on a review of all outstanding accounts and considers the past payment history and creditworthiness of each account and the length of time that the debt has remained unpaid. The actual amounts of debts that ultimately prove irrecoverable could vary from the actual provision made. Trade and other receivables are detailed in note 10.

f) Cost of capital

Where financial assets or liabilities are required to be presented at amortised cost, the Board has had to estimate an appropriate cost of capital to use in determining discount rates. As the Board does not have any borrowings, the estimated cost of capital has been based on HM Treasury bond rates as at 31st March for bonds with the same term as the racecourse loans, i.e. 5 years.

g) Financial assets

The Board classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Board's accounting policy for each category is as follows:

Loans: These assets are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of loans to racecourses. They are measured initially at fair value and then carried forward at amortised cost less any provision for impairment. Any gains or losses are recognised in the statement of comprehensive income under Improvement of Horseracing.

Available-for-sale investments: Non derivative financial assets not included in the above category are classified as available-for-sale investments. These investments comprise high quality corporate or government bonds. They are recorded at fair value and updated on a quarterly basis. Any realised or unrealised gains or losses are recognised in the statement of comprehensive income.

h) Provisions

A provision is recognised in the statement of financial position when the Board has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

i) Pension schemes

The Board operates a defined contribution pension scheme. The cost of the defined contribution scheme is charged to the Board's comprehensive income account in the year to which it relates.

Previously, the Board also operated a defined benefit pension scheme, which was closed on 30th September 2009 and is now in the process of being wound up. 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 comprehensive income account. The expected return on the defined benefit scheme's assets and the expected increase during the year in the present value of the defined benefit scheme's liabilities are included as pension finance income or costs as appropriate. Actuarial gains and losses are recognised in the statement of comprehensive income account. Pension schemes assets, to the extent they are considered recoverable, and pension scheme liabilities, are recognised in the statement of financial position 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 15-year iBoxx AA-rated corporate bond index, considered to be of equivalent term and currency to the liability. The actuarial valuations include assumptions such as discount rates, return on assets, salary progression and mortality rates. These assumptions vary from time to time according to prevailing economic and social conditions. Details of assumptions used are provided in note 18.

3. First-time adoption of International Financial Reporting Standard ('IFRS')

Reconciliations and explanatory notes on how the transition to IFRS has affected income and expenditure and net assets for the Board previously reported under UK Generally Accepted Accounting Principles ('UK GAAP') are given below:

Statement of comprehensive income reconciliation for the Board for the year ended 31st March 2009

	Sub-note	UK GAAP	Adjustments	IFRS
		£000	£000	£000
Revenue				
Levy income receivable for:				
47th Levy Scheme (comparative 46th Levy Scheme)		91,646	–	91,646
Previous years' Schemes		(1,115)	–	(1,115)
		90,531	–	**90,531**
Other income		1,352	–	1,352
Interest receivable	v.	1,832	384	2,216
Total revenue		**93,715**	**384**	**94,099**
Expenditure				
Improvement of horseracing	i. & ii.	(93,098)	1,854	(91,244)
Other expenditure	v. & vi.	(8,512)	11	(8,501)
Pension finance costs		(365)	–	(365)
Loss on disposal of non-current assets		(9)	–	(9)
Net loss on available-for-sale financial assets	v.	–	(310)	(310)
Total expenditure		**(101,984)**	**1,555**	**(100,429)**
Operating deficit		**(8,260)**	**1,939**	**(6,330)**
Exceptional item	vi.	85	(85)	–
Income tax refund		434	–	434
Deficit for the year		**(7,750)**	**1,854**	**(5,896)**
Other comprehensive income:				
Actuarial gain on the defined benefit pension scheme		21	–	21
Total comprehensive income for the year		**(7,729)**	**1,854**	**(5,875)**

3. First-time adoption of International Financial Reporting Standard ('IFRS') *continued*

Statement of financial position reconciliation as at 1st April 2008

	Sub-note	UK GAAP	Adjustments	IFRS
		£000	£000	£000
Assets				
Non-current assets				
Property, plant and equipment		93	–	93
Loans	i.	43,456	(10,697)	32,759
Total non-current assets		**43,549**	**(10,697)**	**32,852**
Current assets				
Trade and other receivables		25,532	–	25,532
Loans due within one year	i.	6,192	6,752	12,944
Financial assets	iii.	21,000	(5,847)	15,153
Cash and cash equivalents	iii.	5,769	5,847	11,616
Total current assets		**58,493**	**6,752**	**65,245**
Total assets		**102,042**	**(3,945)**	**98,097**
Current liabilities				
Trade and other payables		(17,075)	–	(17,075)
Provisions		–	(597)	(597)
Total current liabilities		**(17,075)**	**(597)**	**(17,672)**
Total assets less total current liabilities		**84,967**	**(4,542)**	**80,425**
Non-current liabilities				
Provisions	ii.	(2,942)	860	(2,082)
Pension liability		(2,723)	–	(2,723)
Total non-current liabilities		**(5,665)**	**860**	**(4,805)**
Total net assets		**79,302**	**(3,682)**	**75,620**
Reserves		**79,302**	**(3,682)**	**75,620**

3. First-time adoption of International Financial Reporting Standard ('IFRS') *continued*

Statement of financial position reconciliation as at 31st March 2009

	Sub-note	UK GAAP	Adjustments	IFRS
		£000	£000	£000
Assets				
Non-current assets				
Property, plant and equipment		305	–	305
Loans	i.	29,844	(1,809)	28,035
Total non-current assets		**30,149**	**(1,809)**	**28,340**
Current assets				
Trade and other receivables		1,704	–	1,704
Loans due within one year	i.	13,266	(124)	13,142
Financial assets	iv.	36,163	(4,377)	31,786
Cash and cash equivalents	iv.	4,990	4,377	9,367
Total current assets		**56,123**	**(124)**	**55,999**
Total assets		**86,272**	**(1,933)**	**84,339**
Current liabilities				
Trade and other payables		(12,489)	–	(12,489)
Provisions		–	(602)	(602)
Total current liabilities		**(12,489)**	**(602)**	**(13,091)**
Total assets less total current liabilities		**73,783**	**(2,535)**	**71,248**
Non-current liabilities				
Provisions	ii.	(2,333)	707	(1,626)
Pension liability		123	–	123
Total non-current liabilities		**(2,210)**	**707**	**(1,503)**
Total net assets		**71,573**	**(1,828)**	**69,745**
Reserves		**71,573**	**(1,828)**	**69,745**

3. First-time adoption of International Financial Reporting Standard ('IFRS') *continued*

Adjustments

Explanations of the adjustments made to the UK GAAP income statement and balance sheet are as follows:

Sub-note	Explanation
i.	IAS 39 requires that loans made to racecourses must be initially measured at fair value and then carried forward at amortised cost and any gains and losses recognised in the statement of comprehensive income. Previously the financial assets were stated at historic cost; this adjustment reflects the loss in the financial asset arising from restatement to amortised value.
ii.	IAS 37 requires that provisions are discounted to present value where the effect of discounting is material. Previously provisions were included at historic value; this adjustment reflects the decrease in the provision in respect of the BHA pension scheme arising from the restatement to present value. Provisions are now disclosed between current and non-current liabilities.
iii.	In addition to the cash balances of £5,769,000 reported under UK GAAP at 31st March 2008, the Board held cash equivalents of £5,847,000. These were reported under UK GAAP as investments.
iv.	In addition to the cash balances of £4,990,000 reported under UK GAAP at 31st March 2009, the Board held cash equivalents of £4,377,000. These were reported under UK GAAP as investments.
v.	Under IAS 32 the treatment of income associated with financial assets is required to match the statement of financial position classification of the assets generating the income. Historically interest and investment income included interest income, gains or losses and management fees arising on the investments; this adjustment therefore recognises the reclassification of income in accordance with the financial asset classification as assets Available-for-Sale.
vi.	Exceptional items are not permitted to be disclosed on the face of the statement of comprehensive income as described by IAS 1. Therefore the exceptional item of £85,000 in the year ended 31st March 2009 has been reclassified to Other Expenditure and included in the disclosure shown in note 4b.

Cash flow statement for the year ended 31st March 2009

The only changes to the cash flow statement are presentational. The key change is presenting a statement showing movements in cash and cash equivalents, rather than just cash. Cash under UK GAAP comprised only amounts accessible in 24 hours without penalty. The components of cash equivalents are shown in note 14.

4. Expenditure costs

4a. Improvement of horseracing	2010	2009
	£000	£000
Owners		
Prize money	**60,948**	56,642
Prize money for divided races	**1,079**	876
Appearance money scheme	**1,485**	1,443
Development fund	**488**	457
	64,000	59,418
Racecourses		
Abandoned fixtures	**844**	1,040
Fixture incentive scheme	**5,817**	5,918
Fair value adjustment to racecourse loans	**(23)**	(2,011)
	6,638	4,947
Integrity services		
Fixture fees	**11,016**	10,988
Regulatory head office grants	**4,527**	4,347
Cost of drug testing and research services	**4,221**	4,406
New threats research project	**–**	1
Integrity fees	**6,148**	5,845
BHA pension scheme – future provision	**(570)**	(451)
	25,342	25,136
Training		
Industry training	**1,225**	973
	1,225	973
Other		
Point-to-point meetings	**396**	312
Research and development	**–**	33
Channel 4 racing	**225**	458
Miscellaneous	**42**	(32)
	663	771
	97,868	91,244

4. Expenditure costs *continued*

4b. Other expenditure	2010	2009
	£000	£000
Improvement of breeds:		
Breeders' prizes scheme	1,773	1,745
Breed societies	283	172
Advancement of veterinary science and education	2,055	2,633
Administration costs	3,153	3,614
Bookmakers' Committee costs	261	264
Foreign exchange loss	156	–
Investment management fees	83	74
Pension scheme curtailment credit	(22)	(85)
Charitable payments	95	84
	7,837	8,501

5. Deficit

	2010	2009
	£000	£000
This has been arrived at after charging:		
Remuneration of Board Members and Chief Executive, including pension contributions	357	358
Depreciation	86	46
Operating lease rentals	242	413
Auditors' remuneration:		
– External audit	45	38
– Internal audit	14	14
– Other fees	6	19

6. 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.

	2009/2010				2008/2009			
	Board salaries	**Benefits**	**Pension benefit**	**Total**	Board salaries	Benefits	Pension benefit	Total
	£	**£**	**£**	**£**	£	£	£	£
Board Members								
Paul Lee – Chairman (appointed 1/10/2009)	**31,510**	**–**	**–**	**31,510**	–	–	–	–
Robert Hughes – Chairman (retired 30/9/2009)	**31,510**	**4,235**	**4,409**	**40,154**	61,640	10,199	8,476	80,315
Penny Boys	**25,890**	**–**	**–**	**25,890**	23,763	–	–	23,763
Paul Darling	**19,470**	**–**	**–**	**19,470**	13,760	–	–	13,760
Christopher Bell – Chairman of the Bookmakers' Committee	**19,470**	**–**	**–**	**19,470**	19,043	–	–	19,043
Chief Executive and Accounting Officer								
Douglas Erskine-Crum	**218,000**	**2,666**	**–**	**220,666**	218,000	2,665	–	220,665
	345,850	**6,901**	**4,409**	**357,160**	336,206	12,864	8,476	357,546

No other Board members have received any remuneration during the year.

7. Staff numbers and costs

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

	2010	2009
Administration	**17**	18
	17	18

The aggregate payroll costs of these persons were:

	2010	2009
	£000	£000
Wages and salaries	**1,148**	1,167
Social security	**146**	143
Pension costs	**83**	117
Redundancy payments	**188**	273
Other staff costs	**228**	86
	1,793	1,786

The Board operates a pension scheme providing benefits based on final pensionable salary ('Scheme'). The Scheme is a multi-employer scheme 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. The Scheme ceased to accrual on 30th September 2009, when it commenced winding up. A group personal pension plan was set up on 1st April 2003.

Further details are shown in note 18.

8. Taxation

(a) Analysis of refund in year	2010	2009
	£000	£000
Corporation tax at 28% (28% in 2009)	–	–
Overpaid in respect of the previous year	–	(434)
Tax Refund	–	(434)

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 before taxation by the standard rate of corporation tax in the UK of 28% (28% in 2009). The differences are explained below:

	2010	2009
	£000	£000
Deficit for the year before tax	(29,218)	(8,260)
Deficit for the year multiplied by the standard rate of corporation tax	(8,181)	(2,313)
Effects of:		
Amounts not subject to taxation	8,181	2,313
Adjustments in respect of previous period	–	(434)
Current tax refund for the year	–	(434)

9. Property, plant and equipment

	Leasehold improvements	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 1st April 2009	118	1,623	60	1,801
Additions	–	14	–	14
Disposals	–	(309)	(60)	(369)
At 31st March 2010	**118**	**1,328**	**–**	**1,446**
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 1st April 2009	2	1,476	18	1,496
Charge for the year	24	55	7	86
Disposals	–	(309)	(25)	(334)
At 31st March 2010	**26**	**1,222**	**–**	**1,248**
Net book value:				
At 31st March 2008	–	28	65	93
At 31st March 2009	116	147	42	305
At 31st March 2010	**92**	**106**	**–**	**198**

10. Trade and other receivables

	2010	2009	2008
	£000	£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	–
Trade and other receivables	**57**	57	64
Net amount due from HMRC	**–**	–	192
Prepayments and accrued income	**289**	293	1,149
	346	1,704	25,532

All the above amounts are due within one year.

11. Loans

	2010	2009	2008
	£000	£000	£000
Secured:			
Repayable within five years	**40,192**	40,658	46,056
Repayable after more than five years	**350**	1,380	1,380
Unsecured:			
Repayable within five years	**442**	1,072	2,212
Total loans at historic cost	**40,984**	**43,110**	**49,648**
Fair value adjustment	**(1,910)**	(1,933)	(3,945)
Total loans at net present value	**39,074**	**41,177**	**45,703**
Loans included above due within one year	**(14,009)**	(13,142)	(12,944)
Loans due in more than one year	**25,065**	**28,035**	**32,759**

All of the loans granted are interest free. As at 31st March 2010, £40,542,000 of the loan balance (2009: £42,038,000 and 2008: £47,146,000) was secured against the assets of the racecourses to which the loans had been made.

12. Financial instruments

The Board is exposed through its operations to one or more of the following financial risks.

Market risk

The principal market risk associated with the Board's activities is the risk that changes in interest rates will affect the Board's income or the value of its assets. However the risk is low as a high proportion of investments are fixed rate deposits. The Board does not have any debt and as such is not exposed to fluctuations in interest rates in this regard. The Board is not directly exposed to any foreign currency risk.

Liquidity risk

Liquidity risk is the risk that the Board fails to meet its financial obligations as and when they fall due. The management of operational liquidity risk aims primarily to ensure that the Board always has sufficient liquidity to meet its short-term working capital requirements. Medium-term and long-term cash requirements are managed having regard to the Board's forecast operating cash flows.

Credit risk

The Board invests surplus cash in bonds, money market instruments and cash. The Board does not engage in speculative financial transactions and there are strict internal guidelines agreed by the Audit Committee that govern the investment of funds which ensure that funds are only invested in organisations that carry a minimum rating of A- (Standard and Poors) and or A3 (Moodys).

The Board also grants interest-free loans to racecourses, usually repayable over 5 years. Almost all these loans are secured by a fixed legal charge against the assets of the borrower.

The credit risk associated with the risk of default by a bookmaker failing to meet the obligations under a particular Levy Scheme is not considered material, and this is evidenced by the fact that losses with regard to these trade receivables are historically low as non-payment of a Levy debt can lead to the Gambling Commission revoking the bookmaker's operating license.

13. Financial assets

Financial assets comprise investments in bonds or money market instruments, which are managed on the Board's behalf by UBS. These assets are considered to be available for sale. In line with the requirements of IAS 39 ('Financial Instruments: Presentation') the investments are recognised at fair value at 31st March 2010 of £12,481,000 (2009: £31,786,000 and 2008: £15,153,000). The fair values are updated on a quarterly basis and any realised or unrealised gains or losses are recognised in the statement of comprehensive income.

	2010	2009
	£000	£000
Realised gain on financial assets	**12**	34
Unrealised gain/(loss) on financial assets	**104**	(344)
Net gain/(loss) on available-for-sale financial assets	**116**	(310)

14. Cash and cash equivalents: Movement in the year

	2010	2009
	£000	£000
Balance at 1st April	**9,367**	11,616
Net change in cash and cash equivalent balances	**(1,474)**	(2,249)
Balance at 31st March	**7,893**	9,367

14a. Cash and cash equivalents

	2010	2009	2008
	£000	£000	£000
The following balances at 31st March were held at:			
Clearing banks and cash in hand	**1,764**	4,990	5,769
Money market deposits maturing in less than three months	**6,129**	4,377	5,847
	7,893	9,367	11,616

15. Current liabilities: Trade and other payables

	2010	2009	2008
	£000	£000	£000
Capital grants	**4,182**	3,932	11,764
Accruals	**4,800**	3,912	3,588
Amounts due to bookmakers and Tote in respect of Levy income	**9,964**	3,131	–
Trade and other payables	**72**	1,471	1,678
Social security	**36**	43	45
	19,054	12,489	17,075

16. BHA Pension Scheme Provision

	2010	2009
	£000	£000
At 1st April	2,228	2,679
Provision utilised in the year	(609)	(609)
Unwinding of discount	39	158
At 31st March	**1,658**	2,228

The provision represents the commitment given by the Board in the year ended 31st March 2008 to meet 70% of the annual deficit repair cost of the BHA pension scheme. The provision has been discounted at a rate of 2.75% (2009: 2.43% and 2008: 3.99%) and is analysed as current and non-current as follows:

	2010	2009	2008
	£000	£000	£000
Current	601	602	597
Non-current	1,057	1,626	2,082

17. Commitments under leases

Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2010	2009	2008
	£000	£000	£000
Obligations under operating leases comprise:			
Buildings:			
Expiry within 1 year	248	238	165
Expiry after 1 year but not more than 5 years	724	933	–
	972	1,171	165

18. Defined benefits retirement scheme

The Board operates a pension scheme providing defined benefits based on final pensionable salary. The Scheme is a multi-employer scheme 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. A group personal pension plan was set up on 1st April 2003.

In 2005 the Trustees purchased a buyout with an insurance company which insured estimated benefits for active and deferred members based on a termination date of September 2009. In addition to an upfront payment of approximately £24m paid by the Trustees in December 2005, three further instalments of approximately £3m were made, 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 30th 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 IAS 19.

18. Defined benefits retirement scheme *continued*

With effect from 1st October 2009, when the Scheme commenced winding up, defined benefit accrual ceased in the Scheme and all members who were accruing additional service immediately before 1st October 2009 became deferred members. The impact of the closure of the Scheme has been accounted for in the financial statements for the year ended 31st March 2010.

Regular employer contributions to the Scheme in 2011 are estimated to be zero. The employer may pay additional contributions to finance the deficit that currently exists, pay for the ongoing expenses of running the Scheme or pay for any augmentations during the year.

The valuation used for IAS 19 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 through the statement of comprehensive income.

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below:

	2010	2009	2008
Rate of general long-term increase in salaries	**n/a**	4.6%	4.7%
Rate of increase in pensions in payment			
– Pre 1st April 1990 service	**5.0%**	5.0%	5.0%
– Post 1st April 1990 service	**3.6%**	3.4%	3.6%
Inflation rate	**3.9%**	3.6%	3.7%
Discount rate for Scheme liabilities	**5.6%**	6.5%	6.9%

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 26.6 years if they are male and for a further 29.0 years if they are female.

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

18. Defined benefits retirement scheme *continued*

18a. Expected return on assets

	2010		2009		2008	
	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	**24,348**	**5.6%**	17,608	6.5%	12,449	6.9%
Pensioner annuities	**16,854**	**5.6%**	16,085	6.5%	15,103	6.9%
Other	**403**	**1.6%**	569	1.6%	1,375	6.0%
	41,605	**5.6%***	34,262	6.4%*	28,927	6.9%*

* The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class.

The Board employs a building block approach in determining the long-term rate of return on pension scheme assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at the 31st March 2010.

18b. Reconciliation of funded status to statement of financial position

	2010	2009	2008
	£000	£000	£000
Fair value of scheme assets	**41,605**	34,262	28,927
Present value of funded defined benefit obligations	**(42,017)**	(34,139)	(31,650)
(Liability)/asset recognised on the statement of financial position	**(412)**	123	(2,723)

18c. Analysis of the amount charged to expenditure

	2010	2009
	£000	£000
Current service cost	**(43)**	(95)
Past service cost	**–**	–
Curtailments	**74**	85
	31	(10)
Analysis of amount charged to finance costs:		
Expected return on pension scheme assets	**1,860**	1,780
Interest on pension scheme liabilities	**(2,172)**	(2,135)
Net finance charge	**(312)**	(355)
Net charge to statement of comprehensive income	**(281)**	(365)

18. Defined benefits retirement scheme *continued*

18d. Changes to the present value of the defined benefit obligation during the year

	2010	2009
	£000	£000
Opening defined benefit obligation	34,139	31,650
Current service cost	43	95
Interest cost	2,172	2,135
Contributions by scheme members	7	34
Age Related Rebates	(4)	36
Actuarial losses on scheme liabilities*	7,170	1,702
Net benefits paid out	(1,436)	(1,428)
Curtailments	(74)	(85)
Closing defined benefit obligation	**42,017**	34,139

* Includes changes to the actuarial assumptions.

18e. Changes to the fair value of scheme assets during the year

	2010	2009
	£000	£000
Opening fair value of scheme assets	34,262	28,927
Expected return on scheme assets	1,860	1,780
Actuarial gains on scheme assets	6,822	1,723
Contributions by the employer	94	3,190
Contributions by scheme members	7	34
Age Related Rebates	(4)	36
Net benefits paid out	(1,436)	(1,428)
Closing fair value of scheme assets	**41,605**	34,262

18f. Actual return on scheme assets

	2010	2009
	£000	£000
Expected return on scheme assets	1,860	1,780
Actuarial gains on scheme assets	6,822	1,723
Actual return on scheme assets	**8,682**	3,503

18g. Analysis of amounts recognised in statement of comprehensive income

	2010	2009
	£000	£000
Total actuarial (losses)/gains	(348)	21
Total (loss)/gain	**(348)**	21
Cumulative amount of (losses)/gains recognised*	**(327)**	21

* The cumulative amount of (losses)/gains recognised is calculated from the date of transition to IFRS, 1st April 2008.

18. Defined benefits retirement scheme *continued*

18h. History of asset values, defined benefit obligation and surplus/deficit in scheme*

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Fair value of scheme assets	**41,605**	34,262	28,927	38,836	36,637
Defined benefit obligation	**(42,017)**	(34,139)	(31,650)	(40,037)	(41,649)
(Deficit)/surplus in scheme	**(412)**	123	(2,723)	(1,201)	(5,012)

*It is only a requirement under IFRS to show data from the date of transition. Figures prior to 31st March 2009 given are those provided under FRS 17 and are for information only.

18i. History of experience gains and losses

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Experience gains/(losses) on scheme assets	**6,822**	1,723	(9,467)	(2,222)	504
Experience gains/(losses) on scheme liabilities*	**178**	(36)	1,020	(9)	3,834

*This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of the actuarial assumptions used.

19. Reserves

Reserves represent the cumulative undistributed historic surpluses of the Board.

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 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. Following an actuarial valuation of the Scheme as at 31st December 2008, the terms of the original agreement between the Board and the BHA were changed by a deed of amendment dated 30th October 2009.

Accordingly, based on the updated actuarial assumptions agreed in 2008, 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. This contribution remains unchanged after the updated actuarial valuation.

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 of £985,000 (*old agreement: £870,000 per annum*);

b) Pay the BHA's future service contributions to the Scheme up to a maximum of 7% per annum (*old agreement: 6.4% per annum*) of pensionable salaries;

c) Guarantee for 12 years (*old agreement: 10 years*) from 1st August 2007 the full Scheme wind-up liabilities; up to a maximum of £30.3m (*old agreement: £32.5m*) in total, payable in five equal annual instalments, 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.

OFFICES

Parnell House,
25 Wilton Road,
London SW1V 1LW

Tel: 020 7333 0043
Fax: 020 7333 0041
Email: hblb@hblb.org.uk
Web Site: www.hblb.org.uk

BANKERS

HSBC
89 Buckingham Palace Road,
London SW1W OQL

AUDITORS

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 WIR OBE

Burges Salmon
Narrow Quay House, Narrow Quay,
Bristol BS1 4AH