

2007/08
ANNUAL REPORT





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

July 2008

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 2007 to 31st March 2008.

Robert Hughes CBE
Chairman

Penny Boys CB

David Thorpe

Paul Dixon

Nic Coward

Christopher Bell

Sir Ian Good

Douglas Erskine-Crum CBE
Chief Executive and
Accounting Officer

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Sir Tristram Ricketts Bt 1946-2007



Sir Tristram Ricketts Bt

Few people combine wit, charm, high intelligence and an enormous capacity for hard work. Tristram had all of these attributes and many more.

It helped, of course, that he had a great love of life and family, matched only by his love of racing. Whether it was attending as many social and racing events as possible or dancing to "YMCA", he was always in the thick of things.

He started his racing career at the Levy Board before committing himself wholly to the newly formed BHB. Such were his talents that, even when he subsequently moved sideways from the post of Chief Executive to be Director General, he acted like Prometheus unbound. In his new role he used his extraordinary diplomatic skills to the full and it is true to say that British horseracing has never had such a good relationship with Government before or since.

Tris never displayed any rancour about his change of job. He was never heard to utter one word of reproach or bitterness, not even when he returned in triumph to the Levy Board as Chief Executive and many more confidences were shared. There was far too much to do and enjoy. Although he had been working at the very heart of horseracing's administration, bookmaker colleagues welcomed him back without a hint of demur; such was the regard in which he was held. He proved himself to be a tough and capable administrator who had lost none of his vim and vigour but also insisted that we had "some fun".

His capacity for friendship was inexhaustible, not only within Britain but all over the racing world. Visits and speaking engagements across the globe gave testimony to his reputation amongst his peers. His love of the performing arts was reflected in his great gifts as a witty and erudite raconteur.

When he discovered that he had a terminal illness he bore it stoically, as did Annie, his wife and constant support. They were afforded much comfort from the outpouring of sympathy and concern from all who knew and loved them. He was a major figure in British horseracing and, although time passes and memories fade, Tristram, so full of the joy of life, will live on in our hearts.

Chris Deuters 1948-2008



Chris Deuters

Chris Deuters enjoyed the unique distinction of having served on the Levy Board as both a representative of horseracing and as an independent member in the role of Deputy Chairman. It was a measure of his abilities that he served in both roles with great success.

Chris had previously been a highly admired President of the Racehorse Owners Association and, with his wife Antonia, a very successful owner/breeder. He was also one of the kindest, gentlest, wisest and most friendly people that you could wish to know.

Because of his background in racing, Chris's appointment as Deputy Chairman was potentially controversial but he must have quickly won over any doubters with his independence of thought and even-handed approach to the work of the Board. He was a conciliator, always looking for an agreed way forward. His breadth of knowledge of the racing industry was matched by his experience in the City of London which enabled him to be a very effective Chairman of the Board's Audit Committee. He was also instrumental in securing the orderly transfer of the National Stud to the Jockey Club.

Although he had been ill for some time, we had every hope that he would make a full recovery. He was certainly always optimistic and, with Antonia's unfailing support, showed great fortitude but, unfortunately, it was not to be.

In a relatively short time, he had a major impact on British horseracing. His modesty, transparent honesty and deep convictions were an inspiration to all who knew him. Such was his influence that it is certain that others will carry on his good work and thereby honour his memory.

"In sickness and in health"

Having praised two good men, a final word for those who have been left behind. Annie Ricketts and Antonia Deuters are women of indomitable spirit who, as well as having very busy lives of their own, were stalwart supporters and helpmates of their respective husbands in every way. It has been a privilege and an inspiration to witness their selfless ministrations to their loved ones in their time of greatest need. We salute them both.

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

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

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

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

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

Functions of the Board

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

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

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

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Harbottle & Lewis

Hanover House, 14 Hanover Square,
London W1R 0BE

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Narrow Quay House, Narrow Quay,
Bristol BS1 4AH

HBLB Board



Robert Hughes CBE
Chairman*



Penny Boys CB*



David Thorpe
Chairman Racecourse Association**



Paul Dixon
Chairman Racehorse Owners
Association**



Nic Coward
Chief Executive British Horseracing
Authority**



Chris Bell
Ex Officio Chairman, Bookmakers'
Committee



Sir Ian Good
from January 2008 Ex Officio Interim
Chairman, Horserace Totalisator Board



Peter Jones CBE
until January 2008 Ex Officio Chairman,
Horserace Totalisator Board



Douglas Erskine-Crum CBE
Chief Executive and
Accounting Officer



Stephen Haywood
Finance Director



David Bradshaw
Racing Director

*Appointed by The Secretary of State

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

Members

Executives



Robert Hughes CBE
Chairman

Chairman's statement

A challenging year for the Board and one tinged with sorrow.

The loss of our Chief Executive, Tristram Ricketts, and Deputy Chairman, Chris Deuters, has been keenly felt and tributes to both of them appear at the beginning of this report.

Firstly, a word of thanks to all the staff and members of the Board who have rallied round and been totally supportive during this difficult time. I am sure that no one will mind if I make special mention of Kathie Arundell, David Bradshaw and Stephen Haywood, who formed such an effective "triumvirate" during Tristram's illness. I would also like to thank Penny Boys, the third independent member, who stepped into the breach during Chris Deuters's absence.

Peter Jones, as the Tote's representative on the Board, stood down at the end of last year and I would like to take this opportunity of thanking him for all the hard work he did as one of our longest serving and most dedicated members.

The Levy Board has pressed on with streamlining its organisation, in accordance with a review instigated by the late Chief Executive. As part of this, we said goodbye to two senior members of staff: Deputy Chief Executive Godfrey Ayres and Scientific Liaison Executive Libby Archer. Both had given sterling service to the Board and we wish them well for the future.

As part of the reorganisation process, and in order that the Board can in future concentrate on its core functions, we have, together with the Department for Culture, Media and Sport, completed the successful transfer of the National Stud to the Jockey Club and the withdrawal of the Board from the work of the National Joint Pitch Council and the Independent Betting Adjudication Service. This follows the earlier privatisation of HFL Ltd.

The major issue which has faced the Board during the last year has been the emergence of Turf TV as an alternative source of pictures for bookmakers' shops. The commercial issues surrounding this initiative are, of course, none of the Board's concern, but it has had a major impact on the Levy process; bookmakers insisting that the Levy should be reduced to reflect the extra costs they are incurring and racing being equally insistent that the two issues are in no way related. In addition, racing raised various other matters, which it believed justified a substantial increase in the Levy. In his Determination, the Secretary of State, having carefully considered both sets of arguments, opted, on the advice of both the independent members of the Board and his external consultants, for a rollover of the Levy.

Following the Determination, the Minister for Sport, Gerry Sutcliffe, called for a comprehensive review of the relationships between horseracing and bookmaking, with the aim of eventually agreeing a way forward on the funding of the sport. He wisely rejected calls from the bookmakers to set a date for the abolition of the Levy, in the realisation that this would lead to an asymmetrical negotiating situation.

However, he also made it clear to racing that the present impasse cannot continue and, notwithstanding the difficulty of finding a commercial alternative to the Levy, as highlighted in the Donoghue Report on the Future Funding of Racing, an accommodation of some sort would have to be found.

He has entrusted the Parliamentary All Party Racing Group with oversight of the review process and charged the Levy Board with implementing as much of the later Donoghue Report, on the reform of the Levy process, as possible. Work is now ongoing on all of these issues, with a positive will to succeed on all sides and the clear objective of avoiding another Determination. It is important that the horseracing and bookmaking industries are in control of their own destinies. However the issues are complex and, at the time of writing, complicated by the concurrent legal action which is taking place.

This year has seen a significant rise in Levy income, due to a number of factors, some of which are unlikely to reoccur, but it has enabled us to restore cuts in prize money to previous levels. This can only be maintained if there is a long term agreement between horseracing and bookmaking regarding future funding and if future Levy Schemes are sustained at current levels or better. It would also enable other major issues to be properly addressed, in particular the continued decline in betting on horseracing, both in absolute terms and as a share of the overall betting market.

Finally, as a result of the restructuring, the Board has many new staff who are settling down very well to their responsibilities. It also has a new Chief Executive, Douglas Erskine-Crum, who comes to us with a wealth of horseracing experience. I am confident, therefore, that the organisation is fit to face the future and will continue to provide a first class service to the horseracing and bookmaking industries.

Robert Hughes CBE
Chairman

Chief Executive's review of the year

Concurrent with the Board receiving notice from Government in December 2006 that it was not to be closed, the modernisation of the Racing Industry proceeded at a good pace. Many of the changes took shape in 2007/08, especially the formation of the British Horseracing Authority (BHA) on 1st August 2007, bringing both the regulatory and integrity functions of Racing together. In order to pave the way for the creation of the BHA, the Levy Board provided £6.45m to the Jockey Club Pension Scheme (now BHA Pension Scheme) to resolve the pension transfer issues which were proving intractable.

In September 2007, the Gambling Act 2005 came into force, significantly changing governmental control over the Betting Industry. From the Levy Board's perspective the means of collecting Levy moved from Permit to Operating Licence holders. The Levy Board's responsibility for approving racecourse betting areas and administering betting rings ceased from 1st September 2007 and consequently the Board relinquished its membership of the National Joint Pitch Council.

The Levy Board has, for many years, sought to transfer its responsibility for the operation of the National Stud. Attempts to transfer the National Stud to a tailor-made charity failed early in the financial year, due to the uncertainty of adequate income streams. In July 2007, however, the Levy Board was approached by the Jockey Club with a robust plan to take over responsibility for running the National Stud. The transfer was completed in April 2008 with the approval of the Secretary of State for Culture, Media and Sport. We wish the Jockey Club and the National Stud a long and prosperous future together.

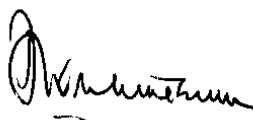
The Levy Board also resigned its membership of the Independent Betting Adjudication Services Ltd in December 2007, as it no longer funded the company. This was yet another example of the Levy Board focusing on its core functions.

2007/08 was also an important year of change for the team at Grosvenor Gardens. There was the impact of a substantial reorganisation, which included the departures of Libby Archer, the Scientific Liaison Executive, and Godfrey Ayres, the Deputy Chief Executive. But, the dreadful loss of my friend and colleague Tristram Ricketts overshadowed everything else at the Levy Board this past year, followed by the tragic loss of the highly respected Chris Deuters.

So what of the future? We have a continuing dialogue between Racing and the Bookmakers with the clear objective of avoiding the determination process for the 48th Levy Scheme and of modernising the Levy Board and its processes. We have a windfall Levy bonus this year, which is being part-used to bolster the Prize Money fund for the remainder of 2008 and 2009. At the Strategy Review meeting in April 2008, the Levy Board agreed to change its reporting and financial structures and processes. Finally, we look forward to settling down

with our new team and structure with many of the staff prominent in the pages of this Annual Report.

Next year I will report on the processes and structures we have in place to improve further the workings of the Levy Board, on the agreement between Racing and the Bookmakers, on enhancements to the marketing of Racing in betting shops, on other measures to improve our dwindling share of the overall betting market, and on a sharply focused Executive team carrying out beneficial changes recommended by the Donoghue Review.



Douglas Erskine-Crum CBE
Chief Executive



Douglas Erskine-Crum CBE
Chief Executive

A YEAR OF FESTIVALS

Horsereading is unique amongst UK sports in terms of the number of 'festival style events' that it holds throughout the year.

As shown on the front cover of this report, in March every year, over 200,000 spectators at Prestbury Park create the unique atmosphere that is the four day Cheltenham Festival. Chester welcomes spring with huge crowds at their three day May Festival and in June there is the fair ground atmosphere of the Epsom Derby meeting with a crowd of over 100,000 people on Derby day. Later in the month the fashion and style of the five day Royal Ascot meeting takes centre stage when, as illustrated on this page, huge crowds enjoy some of the world's finest flat racing.

A highlight of any English summer is the five busy days of Glorious Goodwood, once famously described by Edward VII as 'a garden party with racing tacked on.' Whilst at York, August climaxes with the Ebor Festival, which in 2008 will extend over four days. At Newbury the onset of winter is heralded every year with its three day Hennessy Winter Festival in November. And Kempton Park sees the year out with its two day Stan James Christmas Festival.

Whilst other sports have big attendances at their main event or finale of their particular seasons, horseracing successfully attracts large crowds during virtually every month of the sporting calendar, often over an extended number of days.



Trevor Jones, Thoroughbred Photography

Management commentary

Financial summary

The Levy yield for 2007/08 (including the Tote) is projected at £116.5m, 17% higher than the £99.2m achieved for the previous year. The major part of the increase in levy yield arises from exceptional "one off" telephone (credit betting) income.

The breakdown of the yield from the 46th and 45th Schemes is as follows:

	07/08 £'m	06/07 £'m	Change %
Levy Scheme	46th(est.)	45th	
Off-Course Bkmrs			
Cash	72.1	71.6	+1
Telephones	26.7	10.8	+147
Internet	6.9	7.1	-3
Betting Exchanges	6.9	6.1	+13
On-Course Bkmrs	0.3	0.4	-25
Spread Betting Bkmrs	0.1	0.1	=
Others	3.5	3.1	+13
Total	116.5	99.2	+17

The Board's Revenue Account for the year ended 31st March 2008 shows a surplus of £6.9m, compared to a deficit of £87,000 in 2006/07. The significantly improved results in 2007/08 arise primarily from additional telephone levy income.

Whilst expenditure savings in 2007/08 were made in the main Prize Money fund, increased costs arose within integrity expenditure, in particular a "one off" contribution to the Jockey Club Pension Scheme of £6.45m, plus a £2.9m provision in respect of a future guarantee.

Following the Board's decision to transfer the National Stud to the Jockey Club, which was completed in April 2008, as part of the transfer agreement the existing loan to the National Stud was converted to a grant.

The major movement in the Board's Balance Sheet relates to Debtors of £25.8m (2007: £3.8m).

The increase reflects bookmakers' final 46th Levy Scheme declarations compared to their payments made on account during 2007/08. The majority of these Debtor balances have since been paid. The £1.4m pension liability arises as a result of an FRS17 pension adjustment.

Expenditure 2007/08	£'000
Prize money	56,647 (51%)
Integrity services	35,529 (32%)
Other racecourse expenditure	7,877 (7%)
Administration	3,631 (3%)
Veterinary	2,364 (2%)
Improvement of breeds	1,845 (2%)
Training	964 (1%)
Other improvements (net)	2,740 (2%)
Bookmakers' Committee	253
Total	111,850

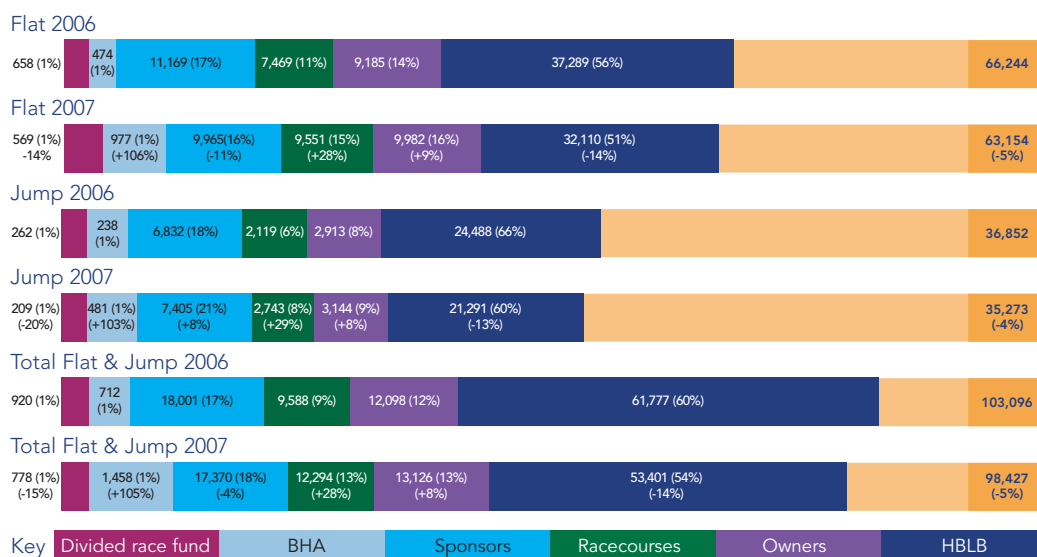
Prize Money 2008	£'000
Allocation based on betting turnover/gross profit	12,375

Flat	
Basic Daily Rate	21,374
Seventh Races	70
Apprentice Races	831
Sub total	22,275

Jump	
Basic Daily Rate	14,318
Seventh Races	532
Sub total	14,850

Additional funding	
1/7/08 – 31/12/08	6,664
Grand total	56,164

Contribution to Prize Money £'000



A DEDICATED TEAM

Virtually every facet of horseracing is influenced by the actions of the Horserace Betting Levy Board and in many cases there is direct interaction between the various bodies and relevant HBLB staff. Given the complexity and enormous size of the horseracing industry combined with management of a Levy yield in 2007/08 of over £100m, it would not be unreasonable to assume that HBLB itself was a huge organisation. In fact HBLB consists of a small, highly efficient, dedicated team of 18 full time employees.

HBLB employs a full time Chief Executive, Finance Director and Racing Director who sit on the HBLB Board as Executive Members. On the following pages, other members of the HBLB team are featured in recognition of the part that they play in ensuring the smooth running of this important organisation.

Improvement of horseracing

Racecourse modernisation

During the year, the Board approved, by way of loans, £12.6m towards capital projects at racecourses and capital grants of £19.9m for use in racecourse improvement schemes.

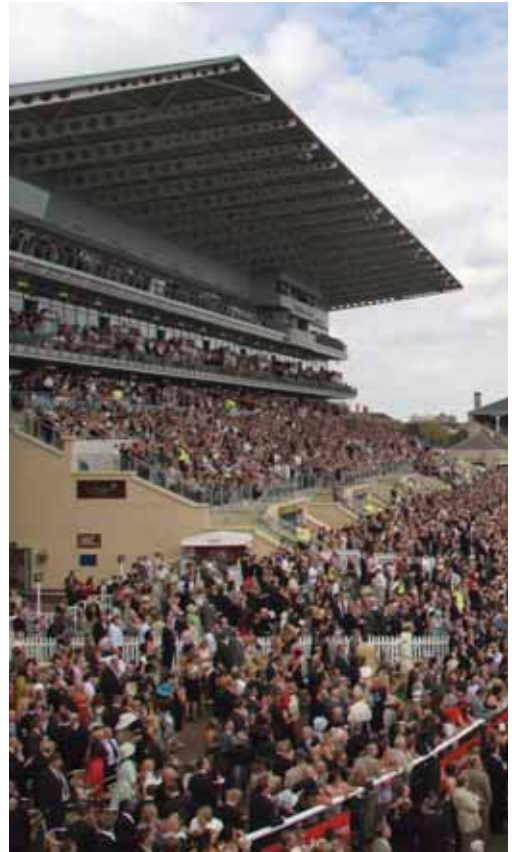
Interest-free loans were made available to 8 racecourses for the improvement of racecourse facilities. The most significant of these were track development and drainage works at York (£1m); ancillary building works at Newmarket (£2m), and track development works at Haydock (£900,000). Other grandstand related projects included modernisation works to the Brandham Hall Stand at Wetherby (£800,000); the redevelopment of the Princess Stand at Ayr (£1.5m), and replacement of the old south stand and weighing room at Huntingdon (£1.3m).

Smaller loans were made available to Kelso (£50,000) towards the jockey medical room and Plumpton (£50,000) towards racecourse ancillary works.

Industry training and education

The Board's commitment to racing and breeding industry education and training programmes continued in 2007/08.

The grant to the British Horseracing Education



DONCASTER Above and top right, crowds enjoying the St Leger meeting in the new grandstand completed in 2007/08, and part funded by the interest free loan of £2m made available by the Board in 2006/07.



GREAT LEIGHTS The first new racecourse in the UK in over 80 years

and Standards Trust (BHEST) remained unchanged from the 2006/07 level at £692,000. The provision of an extensive suite of nationally recognised qualifications for stable and stud staff remains a core activity for BHEST. In addition, other BHEST activities include the professional development for jockeys through continuation courses for apprentices and conditionals and the Hands 'n' Heels series, health and safety roadshows and an equine college student conversion course.

The grant also supports the BHEST's School Education Programme, which contributes to delivery of the National Curriculum while introducing young people to racing. £218,484 was applied to the Programme in 2007/08 with over 11,000 students participating.



BHEST Schoolgirl trying out the horse simulator



BHEST A school visit getting to grips with a mathematics question

The preparation of learners for careers in Thoroughbred breeding through courses run centrally for the breeding industry by the National Stud was supported for a fifth successive year with a grant of £217,148 for the 2007 calendar year. This supported the internationally renowned National Stud Diploma Course, the Foundation Modern Apprenticeship, short term work experience programmes for school, college and veterinary students and a Stud Secretaries' course.

In further support of Thoroughbred breeding, the Board contributed to the Stud Staff Project for a third year in 2007. The project is a central initiative taken by the Thoroughbred Breeders' Association (TBA) to implement the recommendations on the employment, retention and development of Stud staff of the 2004 Report of the BHB Stable and Stud Staff Commission. In 2005, the TBA established a new post dedicated to the management of the Project. The Board's funding for the calendar year

2007 comprised an underspend of £58,000 from the 2006 scheme and a top-slice of £30,000 from the 2007 Breeders' Prizes Fund. The Board's funds support the operating costs of the Project; the TBA supports the employment costs of the dedicated manager.

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

Integrity of racing

The Board's continued emphasis on maintaining public confidence in the integrity of racing was reflected in the £35.5m expended under this heading (2006/07: £24.0m). This sum was second only to the Board's investment in Prize Money.

The Board reimbursed to racecourses a total of £22.2m in respect of the BHA's Fixture and Regulatory Fees (2006/07: £14.6m). These fees cover the cost of licensed officials, the security and veterinary field forces and regulatory head office costs, facilitating the maintenance of the highest integrity standards. The increase in expenditure over 2006/07 arose from the Board's agreement to contribute, as well as its proportion of the BHA Pension Scheme deficit, a lump sum contribution of £6.45m plus a £2.9m guarantee provision.

Also included in the grants is support for the BHA's Counter Analysis Advisory Committee and the European Horseracing Scientific Liaison Committee. Drug testing and research services were provided to the BHA by HFL. The revenue cost to the Board in 2007/08 totalled £4.2m (2006/07: £3.8m).

The Board also continued to provide grants to racecourses for the provision of camera patrol and photo finish services. Grants for this purpose totalled £5.9m (2006/07: £5.4m).

Prize Money Scheme

The Prize Money Scheme for the calendar year 2008 was framed originally within an allocation of £49.5m, a decrease of £5.5m on the 2007 level of £55m. However due to improved financial forecasts, the Board was able to increase the allocation by £6.7m from 1st July 2008. The revised allocation for 2008 was £56.2m.

Full Basic Daily Rate (BDR) funding is being provided in 2008 for Criteria Fixtures (two afternoon fixtures on Monday and Tuesdays, three on Wednesdays, Thursdays and Fridays, four/five on Saturdays and Bank Holidays and two/three on Sundays) and for Reserve Criteria Fixtures (third fixtures on Mondays and Tuesdays from January to April and September to December, and AWT fixtures in the main AWT season not designated as Criteria Fixtures). Funding of 80% is provided for all evenings. Funding of 50% is available for all other fixtures with the exception of BHA National fixtures which receive between £20,000 and £50,000.

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



LEVY COLLECTIONS

Lisa Batchelor and Jim Ismail are the HBLB interface with individual bookmakers. In addition to dealing with approximately 2000 bookmakers that are actively trading on horseracing, there are also approximately 1,500 registered non-trading bookmakers within the UK and the Levy accounts of each bookmaker have to be monitored on a regular basis.

- a merit award computed by reference to a Merit Table based on the latest three year average amount of executive and sponsorship contributions to Prize Money.

- an element comprising £12.4m allocated by reference to the off-course betting turnover and gross profit generated by each racecourse, and
- an underpinning element relating to the number of fixtures in the 2008 Fixture List.

For 2008, the Flat BDR for AWT racecourses during the main winter period was set at £31,680.

Seventh and Apprentice Race Schemes

The allocation to the 2008 Seventh Race and Apprentice Race Schemes was reduced from the 2007 level to £1.4m and £70,000 respectively.

Fixtures Incentive Scheme

The allocation to the 2008 Fixtures Incentive Scheme of £6.0m compared to £5.85m in 2007.

Abandonment Payment Scheme

The 2008 Scheme provides for the reimbursement to the racecourse of £10,000 following abandonment of a raceday. £860,000 was reimbursed to racecourses under these arrangements in 2007.

All Weather Tracks

The Board continues to support racing on AWTs and the 2008 Fixture List comprised 365 AWT fixtures including 159 AWT evening fixtures. The majority of AWT evening fixtures were scheduled on Wednesdays, Thursdays, Fridays and Saturdays during the January-mid April and September-December periods, to cater for the evening opening of betting shops.

Appearance Money Scheme

The Board's allocation for Appearance Money in 2008 remained at the 2007 level of £1.5m. From 1st January 2008 owners who run their horses at any Sunday fixture receive a guaranteed payment of £120 per runner, with deductions for trainer, jockey and stable staff. Owners who run their horses in Flat Conditions Stakes and selected Novice Chases will receive payments of £250 and £300 per runner. Flat horses rated 50 or lower and NH horses rated 75 or lower do not qualify for Appearance Money in 2008.

Point-to-Point meetings

The Board's support for Point-to-Points in 2008 was reduced to £309,000 from £325,000 in 2007. The Board provides funding to ensure that the provision of veterinary, medical and security services, as well as course maintenance, remains of the highest standard.

Divided Race Fund

The Board's allocation to the 2008 Divided Race Fund, which provides additional opportunities to the horse population, was reduced to £855,000 from £950,000 in 2007.

Breeds & veterinary

Grants to breed societies



Suffolk Punch foal

In 2007/08 the Board continued its obligation to support rare breeds of horse and pony with a total grant of £171,920 (2006/07: £171,920). The grants to the thirteen breed societies are used for a wide variety of purposes, as each society utilises the funds in the most appropriate way for their breed. Uses include stallion, mare and foal premiums, microchipping subsidies and DNA testing. Every use of the grant is designed to support the rare, pure-bred horses and ponies which are native to the UK.

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

Breeders' Prizes Scheme

The Board's grant for Breeders' Prizes in 2008 comprises a basic allocation of £1.62m, reduced from £1.8m in 2007, and a £300,000 transfer from the underspend on the 2007 Scheme.

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

Breeders' Prizes for 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 2008 the National Hunt Breeders' Prize Scheme also awards a lesser percentage, 40% of the normal prize, to horses which were previously excluded by one or more of the following criteria:

- (i) the progeny of a stallion based overseas,
- (ii) had its first run on the Flat,
- (iii) was sold as a foal outside Great Britain.

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

Advancing veterinary science and education

In May 2007 the HBLB committed £1.8m to veterinary science and education to improve the health and welfare of Thoroughbred horses in both racing and breeding (2006/07: £1.8m). The allocation of this investment is recommended by the HBLB's Veterinary Advisory Committee (VAC), a group of scientific and veterinary experts with an exceptional breadth of expertise. The VAC consults racing and veterinary organisations, including the BHA Veterinary Committee, to ensure that funds are directed towards those areas which will most benefit the Thoroughbred horse in the UK.

There were significant changes in VAC membership during this year. Professor Os Jarrett retired from the Committee after three years as Chairman and a total of seven years service. Professor Jarrett was succeeded as Chairman by Professor Willie Donachie of the Moredun Research Institute, who joined the VAC in 2004. In February 2008 the Board approved the appointment of Professor Stuart Ralston of the University of

Edinburgh to the VAC. Professor Ralston is Professor of Rheumatology, a post which combines heading a multidisciplinary research team with clinical responsibilities covering rheumatic disorders and metabolic bone diseases. Professor Ralston has particular expertise in the genetics of musculoskeletal conditions, an area of high relevance to current equine veterinary research supported by the HBLB.

Of the £1.8m veterinary investment, £1m funded seven new equine veterinary research projects, covering areas as varied as cannon bone disease, sarcoids, strangles, equine herpes virus and sepsis. In a long standing joint-funding arrangement with the HBLB, the Thoroughbred Breeders' Association (TBA), contributed £75,000 to two new projects: one will test the efficacy of a new type of vaccine for strangles and the other will investigate the mechanisms of immunity against equine herpes virus. This latter project also has the potential to lead to a new vaccine against this disease. All projects were recommended for funding by the VAC on the basis of their scientific excellence and relevance to the health and welfare of the racing or breeding Thoroughbred.

From the remaining £0.8m, £352,000 was allocated to the funding of four new education awards: two each of new Research and Clinical Scholarships. Research Scholarships support qualified veterinary surgeons who wish to receive research training to PhD level in an equine field, and were awarded to the University of Liverpool in equine gastroenterology and nutrition and to the Royal Veterinary College (RVC) in equine genetics. Clinical Scholarships train veterinary surgeons in their chosen field of expertise to a very high level of clinical skill and were awarded to the University of Edinburgh in equine internal medicine and the RVC in equine surgery. Both types of Scholarship contribute to building a UK base of expert equine researchers and clinicians who specialise in areas important to the Thoroughbred.

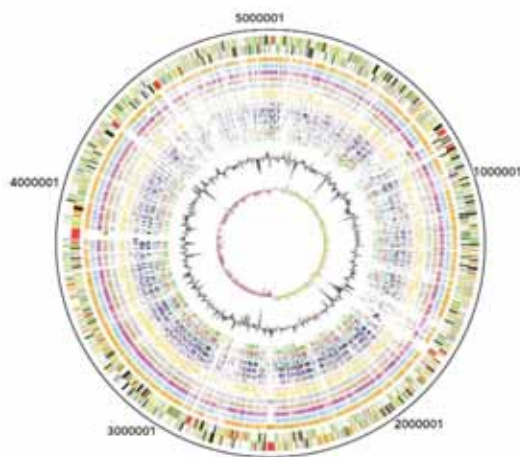
Other projects and events funded from the HBLB's veterinary budget included: £165,796 to the Equine Influenza Programme at the Animal Health Trust (AHT) supporting a leading research team which also provides an expert service in the event of an equine influenza outbreak in Thoroughbreds anywhere in the world; £137,262 for Diagnostic Services at the AHT; £21,000 for the publication and distribution of the Codes of Practice, which provides advice on prevention and control on several important equine diseases, including Contagious Equine Metritis, Equine Viral Arteritis and strangles; £10,000 was allocated to the Travel Grants scheme, to allow UK equine researchers to benefit from international research symposia; and £15,000 as the major sponsor of the Thoroughbred Racing and Breeding Seminar in November 2007. The seminar, held at Cheltenham Racecourse, is the primary forum for communicating the findings of equine veterinary research to trainers, breeders and owners.

2007 was the 30th anniversary of the first issue of the Codes of Practice. Since the Codes were first published, incidences of the diseases covered have declined significantly. A questionnaire was circulated to users of the Codes to ask for their views on the format and content. The feedback was very positive,



EQUINE GRANTS

Stephanie McIntosh is Equine Grants Manager responsible for distribution of HBLB funding to promote the advancement and encouragement of veterinary science and education relative to improvement of the health and welfare of the racing or breeding Thoroughbred. She also oversees the grants paid to the many rare horse breed societies within the UK that receive funding from HBLB.



An HBLB funded veterinary research project has sequenced the *Rhodococcus equi* genome. This diagram shows the 5.04 million base pairs of *Rhodococcus equi* and compares them with 13 other genomes from related bacteria. On the external ring, each of the 4,521 genes of the bacterium has been represented as bars coloured according to their function. Understanding how these complex chromosomes are made up is vital for identifying targets for new drugs, vaccines and diagnostic tests for rhodococcal infection, which can cause severe contagious bronchopneumonia in the early life of horses.

emphasising the important role played by the Codes in preventing disease in Thoroughbreds and other breeds.

In November 2007 the VAC was able to recommend funding for two events from savings in the 07/08 veterinary budget. The HBLB agreed to support the Ninth International Colic Research Symposium in Liverpool, in the summer of 2008, with a contribution of £8,000. Colic affects all types of horses and the HBLB has previously funded a number of projects and scholarships in this field. The HBLB also allocated £6,000 to support an equine endotoxaemia workshop in 2008. This is currently a fast-moving area of research, in which the HBLB funds several projects, and is particularly applicable to the breeding Thoroughbred.

Since 2005/06 the HBLB has provided core funding to the Equine Fertility Unit (EFU) in Newmarket at the direction of the Minister for Sport. Although the EFU closed in late 2007, the HBLB continues to fund two ongoing research projects, which were partially supported by the core funding, to preserve the investment in these projects. The projects, on the treatment of tendon injuries with stem cells and the monitoring of pregnant mares, have been transferred to the AHT and continue as planned.

The Equine Genetics Programme (EGP), funded by the HBLB and the TBA, is now in its third year. In late 2007 a mid-term review was carried out by the VAC and a panel of expert impartial reviewers. As a consequence of the good progress made to date, the Review Panel recommended that funding be renewed for the final two years of the programme. The EGP is based at the AHT and RVC and is investigating the genetic basis for three important musculoskeletal conditions which affect the Thoroughbred: recurrent exertional rhabdomyolysis (tying up), osteochondrosis dissecans and fatal fracture.

In last year's report a forthcoming review of industry funding for equine infectious disease work at the AHT was described. Following the review it was decided that the three contributors (HBLB, ROA and TBA) should channel funding into a central pool administered by the HBLB. The AHT submitted a service delivery proposal which was agreed by the three funders in early 2008. The central fund commenced on 1st April 2008. This arrangement should ensure greater transparency and efficiency in allocating the racing industry's funds to areas of highest priority for the prevention and control of infectious disease in the Thoroughbred.

Veterinary Advisory Committee

Professor William Donachie BSc PhD CBiol FIBiol
(Chairman)

Professor Celia Marr BVMS MVM PhD DEIM
DipECEIM MRCVS

Professor Peter O'Shaughnessy BSc PhD

Professor Stuart Ralston MB ChB FRCP MD
FMedSci FRSE (appointed 1st March 2008)

Mr Chris Rea BVM&S MRCVS

Professor Tim Skerry BVetMed PhD CertSAO FRCVS

Dr Geraldine Taylor BSc PhD

Mr John Walmsley MA VetMB CertEO DipECVS
HonFRCVS

Other activities

National Joint Pitch Council (NJPC)

Following the introduction of the Gambling Act in 2005, the Board's responsibility for the administration of the on-course betting rings (via NJPC Ltd) ceased in September 2007. The Board has therefore relinquished its membership of NJPC Ltd. Further details may be found from www.njpc-ltd.co.uk

Independent Betting Adjudication Service Limited (IBAS)

Arising from the decision by SIS to fund IBAS, the Board was no longer required to make any further membership contributions from 2007 onwards. Along with other members, a final settlement was made to IBAS in 2007 of £7,000 (2006/07 £65,000) to meet a funding deficit in their pension scheme. In December 2007 the Board fully withdrew from IBAS by terminating its membership. Copies of IBAS's 2007 Annual Report may be obtained from: The Secretary, IBAS, 150 Minorities, London EC3N 1LS or from www.ibas-uk.com

Charitable donations

Each year, the Board makes donations to charities associated with racing, equine welfare and gambling. Five charities were supported in 2007/08, with donations of £5,000 being made to each of Racing Welfare, the Mark Davies Injured Riders Fund, the Spinal Injuries Association, the Responsibility in Gambling Trust and the International League for Protection of Horses.

Retraining of racehorses

The Board also supports the BHA charity, Retraining of Racehorses, the aims of which are to raise funds to provide and maintain facilities for the retraining and rehoming of ex-racehorses and to raise the profile of ex-racehorses in the wider equestrian community in order to promote their adaptability for other equestrian pursuits. The charity is supported by a wide range of sectoral interests in the racing, Thoroughbred breeding and bookmaking industries. The Board's contribution in 2007/08 was £58,000 (2006/07: £56,000).

The National Stud

In mid 2007 the Board was approached by the Jockey Club who confirmed their interest in operating the Stud and providing stud staff training facilities upon receiving an annual grant from the Board (£218,000 for 2008). As part of the transfer to the Jockey Club, the Board converted its existing loan and overdraft to the Stud of £1.25m to a grant, in return for the Jockey Club guaranteeing to continue to provide the training facilities for, at least, the next five years.



COUNTRY WIDE RACING

Successful 'festival style events' are not only well distributed across the racing calendar but are also well spread geographically, stretching from the Scottish Grand National meeting at Ayr in the north, to the Welsh Grand National at Chepstow in the west, the July Festival at Newmarket in the east and the two day Tingle Creek meeting at Sandown Park in the south.

In addition to attracting crowds to 'festival style events' horseracing also has the ability to attract big crowds on non-festival days and this is particularly true on national public holidays. Easter Monday sees numerous race meetings, both flat and jumps, attracting holiday crowds across the country, from Plumpton to Redcar. Similarly, August Bank Holiday Monday is a regular race day for many occasional race goers especially at venues such as Cartmel which attracts bumper crowds to their exciting summer jumps meeting.

However, for many people, a day not to miss is the mid season highlight of National Hunt racing at Kempton Park on Boxing Day when a racing festival coincides with a Bank Holiday. The result, as shown on this page, is a crowd of many thousands attracted to the excitement of top quality jump racing.

46th & 47th Levy Schemes

The 46th Levy Scheme

The 46th Levy Scheme (1st April 2007 to 31st March 2008) was agreed between the Board and the Bookmakers' Committee in September 2006. A bookmaker's 2007/08 Levy contribution is calculated by reference to the gross profit on British Horserace Betting Business (BHBB).

For off-course betting through licensed Betting Offices showing a gross profit on BHBB of £82,600 or more per year, a flat percentage charge of 10% applies. Abated charges apply to any licensed Betting Office with gross profits of less than £82,600. Other Media platforms (telephone or internet) pay levy on a flat percentage charge of 10%. A minimum levy payment of £2,066 applies.

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

The levy payable by bet-brokers including betting exchanges is charged on a basis equivalent to 10% of their gross profits, defined as gross commission on BHBB deducted from the winnings paid out to bettors and bet-takers. Spread betting business is charged at 2% of gross profits. Bookmakers who conduct BHBB on Point-to-Point and/or harness racing and/or trotting events pay a fixed contribution of £150.

The default percentage is the percentage assumed to be attributable to British horseracing business to be used on Forms of Declaration by those bookmakers unable to identify the exact figure for their particular business. The figure for the 46th Scheme was derived by taking the actual outturn of such business as reported by Coral, Ladbroke, William Hill, BetFred and Corbett Bookmakers, averaged across their combined licensed betting office estates. The reporting period was the calendar year 2007 and the sample, which included over 6,000 shops, yielded a final figure of 47%, a 2% increase over last year.

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

The 47th Levy Scheme

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

A bookmaker's 2008/09 Levy contribution is calculated by reference to the gross profit on (BHBB).

For off-course betting through licensed Betting Offices or Media platforms (cash, telephone or internet) showing a gross profit on BHBB of £85,700 or more per year, a flat percentage charge of 10% applies. Abated charges apply to any licensed Betting Office/Media platform with gross profits of less than £85,700. A minimum levy payment of £2,144 applies.

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

The levy payable by bet-brokers including betting exchanges is charged on a basis equivalent to 10% of their gross profits, defined as gross commission on BHBB deducted from the winnings paid out to bettors and bet-takers. Spread betting business was charged at 2% of gross profits. Bookmakers who conducted BHBB on Point-to-Point and/or harness racing and/or trotting events paid a fixed contribution of £150.

Contributions from the Horserace Totalisator Board

The Board agreed that, for the 46th and 47th Levy periods, the Tote should contribute as if it were a bookmaker in respect of off-course SP and Tote odds, cash, internet and telephone BHBB and, in respect of Tote Direct, at the rate of 10% of gross profits.

Levy Yield – 10 year record	
2007-2008	£116.5m
2006-2007	£99.2m
2005-2006	£99.3m
2004-2005	£105.6m
2003-2004	£110.7m
2002-2003	£79.9m
2001-2002	£72.9m
2000-2001	£60.3m
1999-2000	£59.4m
1998-1999	£56.0m

The Bookmakers' Committee

The main function of the Committee is to recommend annually to the Board the categories, rates, conditions and definitions of the Levy Scheme for the following year and, if appropriate, to revise such recommendations in light of observations made by the Board. The Committee was therefore in negotiation with the Board during Autumn 2007 on the terms of the 47th Scheme.

The Committee's recommendations for the 47th Scheme were similar in most respects to those of the 46th Scheme; however, faced with a steep increase in the price of receiving televised pictures of live racing in the Licensed Betting Office estate as a consequence of the introduction of a second supplier into the market place, the Committee made proposals to offset the incremental increase in cost against the Levy payments made by bookmakers. The Committee also recognised the new substantial licensing costs being paid, in particular by the smaller operators, since the advent of the Gambling Commission on 1st September 2007 and sought a partial offset of these costs also.

The Committee's Recommendations were considered by the Board in October 2007; they were not accepted and were thus referred back to the Committee for further consideration. The Committee was not, however, able to change its position on what it perceived to be key points of principle. Agreement was thus not reached on the terms and conditions of the 47th Levy Scheme by the statutory deadline on 31st October 2007 and the Scheme was therefore referred to the Secretary of State at the Department for Culture, Media & Sport for Determination.

The result of the Secretary of State's Determination was announced on 20th February 2008. Apart from some minor adjustments to take account of RPI, the 47th Scheme, which started on 1st April 2008, is a repeat of the terms and conditions of the 46th Levy Scheme which preceded it.

Importantly, however, the announcement also made provision for an industry-wide review, under the auspices of the Minister for Sport and the All Party Racing & Bloodstock Industries Group and lead by the Horserace Betting Levy Board, into the future of the Levy system. The Review has sought to identify whether there is a longer term commercially-based alternative to the statutory mechanism; whether the Levy should continue in parallel with such commercial arrangements as may from time to time exist; and what steps might be taken to modernise the Levy while it remains in place.

The costs of the Committee, which in 2007/08 amounted to £253,000 (2006/07 £200,000), are met by the Board.

The Bookmakers' Committee 2007/08

Chris Bell *Chairman* Ladbrokes plc

Will Roseff *Vice Chairman* ABB

Warwick Bartlett ABB

Howard Chisholm ABB

Michael Corbett ABB

Martin Cruddace The Sporting Exchange

Neil Goulden Gala Coral Group

David Harding William Hill plc (until 30th September 2007)

George Moir NAB

Alan Ross Ladbrokes plc

Nick Rust Gala Coral Group (from 1st October 2007)

Ian Spearing William Hill plc

Ralph Topping William Hill plc (from 21st February 2008)

Wilf Walsh Gala Coral Group (until 30th September 2007)

Andrew Watson NAB

Group Captain Patrick Nixon *Secretary*

ABB: appointed by the Association of British Bookmakers

NAB: appointed by the National Association of Bookmakers



BOOKMAKERS' COMMITTEE

Patrick Nixon is Secretary to the Bookmakers' Committee, which is made up of representatives of the bookmaking industry and its own trade organisation. Patrick's role is to ensure the fulfilment of the statutory obligations of the Committee.

Pat Smith is Administrative Secretary to the Committee and ensures its smooth running in terms of administration and consistent communication of relevant information to all its members.

Policy Statement 2008/09

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 2008/09 strategic objectives which the Board will pursue in its discharge of these statutory obligations. It will continue to review its objectives annually.

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

STRATEGIC OBJECTIVES

4. Generally, the Board will pursue the following strategic objectives, within current financial constraints:

- (a) support, as cost-effectively as possible, the provision countrywide, of horseracing in a form which retains high standards of integrity and is attractive to the racehorse owner, the racegoer and the off-course punter, thus protecting and making optimum use of the Board's levy income;
- (b) apply funds at an appropriate level to the improvement of breeds of horses and to veterinary science and education;
- (c) encourage a yet more commercial approach within the Racing Industry, with a continuing emphasis on modernisation and tight control of central costs.
- (d) contribute to the costs of maintaining Channel 4 coverage of Racing in 2008 in the interests of generating increased betting activity and enhancing the profile of the sport.
- (e) tailor its financial support for the Racing Industry so as to incentivise recipients to increase their own direct, or indirect, contributions and to strive to improve their performance against the criteria of the Board's other policy objectives;
- (f) maintain adequate cash balances.
- (g) following the outcome of the Racing Funding Review Group, seek to reach a Levy agreement, for 2009/10 and possibly for a longer period.
- (h) review these strategic objectives in the light of the Racing Funding Review Group's findings and agreements.

5. Specifically, the Board will support the Racing Funding Review Group in its objectives to:

- (a) provide scenarios for reforming the Levy, including taking forward the Donoughue Reports;
- (b) provide scenarios for the overall quantum and mechanism for:
 - (i) a deal between Racing and Betting (including all aspects of the relationship, measuring and reflecting the value and contribution of each to the other, revenue sources and overall costs);
 - (ii) creating clear and certain relationships between the two;

(iii) achieving mutually beneficial arrangements, including surrounding issues such as TurfTV/SIS, fixtures, off-shore betting, VAT, Competition Law, opportunity costs, European dimension, betting exchanges, marketing and sponsorship.

(c) consider joint initiatives for the promotion and marketing of racing and off-course betting on racing.

POLICY OBJECTIVES

Introduction

6. The Policy Objectives and Levy Expenditure shown in paragraphs 7 to 44 are subject to a successful outcome of the Objectives laid out in paragraph 5.

LEVY BOARD INCOME

Betting activity and Levy rates

7. In order to secure the income through which it discharges its responsibilities, the Board will be prepared to tilt its support for racing in a direction which helps to generate horserace betting turnover and gross profits, thus enhancing the Levy and therefore the funds available for pursuing its statutory and policy objectives, whilst taking proper account of the needs of racegoers, the horse population and all the other interests involved in Racing. In this connection, the Board recognises the important role played by the Fixture Criteria and the Fixtures Incentive Scheme.

Financial Policy

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

9. The Board will budget during 2008/09, and subsequently, for adequate cash balances, sufficient to minimise any adverse effects on the funding of the Racing Industry from any fluctuations in Levy income. The cash balances will be kept under regular review.

10. The Board will ensure that the Capital Fund continues to support new loans to racecourses by the re-investment of loan repayments. Provisional allocations of funds for 2008/09 and the subsequent two fiscal years, 2009/10 and 2010/11, have already been agreed.

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

12. The Board will budget for a surplus on revenue account in 2008/09.

LEVY BOARD EXPENDITURE

Improvement of horseracing

The integrity of racing

13. The Board's first priority for the expenditure of that part of its funds devoted to the improvement of horseracing remains the most cost-effective provision of technical, security and regulatory services, for the protection of the integrity of Racing, in the interests of the racing public, the punter and participants. It will provide increased funds towards the cost of these services.

14. The Board will continue to contribute in 2008/09

to the cost-effective provision of high quality camera patrol and photofinish services, and of a research-backed drug screening service.

Racecourses

General

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

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

Capital support

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

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

19. 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.

20. The Board will help finance both revenue-earning and non revenue-earning projects on racecourses, by interest-free loans, repayable over the shortest practicable period and/or by Capital Credit Grants.

21. 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.

22. 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

23. 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

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

New racecourses

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

Prize Money

26. Prize Money levels affect all those participating in the British Racing Industry and have a direct influence on the overall quality of the horse population. In recognition of this, the Board plans, subject to further review and dependent upon reaching sustainable future Levy Schemes and upon a successful long term deal between Racing and the Bookmakers, to make a contribution to Prize Money in 2009 of at least £65m including an Enhancement Scheme. It will continue to incentivise racecourses, through the Merit Table, to complement this allocation by maximising their own contributions, with a view to increasing the size of the total Prize Money pool. The Board recognises however that, in determining their allocations, racecourses will have regard to their overall investment priorities.

27. With this in mind, a review of the system of allocating Prize Money to racecourses may be undertaken at some stage in the future. In the meantime, the assumption is that the current system will remain for 2009 and 2010, subject to review. Basic Daily Rates for 2009 will be calculated on the following basis. 25% of the total funding will be allocated by reference to the off-course betting turnover and gross profit generated by each racecourse. Of the balance, 25% will be allocated to underpin Minimum Values, and 75% will be allocated by reference to the Merit Table system.

28. Differing funding levels for criteria and non-criteria fixtures will be retained for 2009. The Board will pay Basic Daily Rates (BDRs) in 2009 of 100% to all afternoon, and 80% to all evening criteria fixtures. BDRs of 50% will continue to be paid for non-criteria fixtures.

29. The Board will also utilise Prize Money to stimulate off-course betting activity through continuing support for the Seventh Race Scheme. It will also make a contribution to the Divided Race Fund and provide funding for an Enhancement



ACCOUNTS

Sonia Teague is Financial Controller for HBLB and manages the finance function of the organisation, which includes the Levy collection process that in 2007/08 collected in excess £100m in Levy from the bookmakers and the Horserace Totalisator Board.

Soman Senthoooran is Management and Financial Accountant with responsibility for the maintenance of the HBLB accounts.



Anya Coppock is Racecourse Accounts Administrator with the responsibility of ensuring payment of Prize Money and distribution of Loans and Capital Credit Grants to racecourses in connection with improvement projects such as the new grandstand at Doncaster featured on page 12.

Wayne Dunstan is the Levy and Finance Administrator working alongside Levy Collections Officers in the collection of the Levy and ensuring subsequent prompt payment of the liabilities of HBLB.

Scheme, first set up in May 2008, to reward horses at or just below the highest level of ability. It will continue to allocate any interest generated on the proceeds from the sale of HFL Ltd to the BHA's Development Fund for 2009, which primarily supports the programming of races which are intended to serve a particular race planning role for young, developing horses of above average ability, or for certain pockets of the horse population which the race programme would not ordinarily meet the specific needs of to a satisfactory degree.

Fixture Criteria

30. In order to support the development of horseracing, the Fixture Criteria for 2009 will provide support for 1,469 funded fixtures, including evening fixtures to complement year round evening opening of Betting Offices.

31. Funding for the 2009 Fixtures Incentive Scheme, which has been reviewed in consultation with BHA and the Racecourse Association, will remain unchanged at £6.026m.

Appearance Money Scheme

32. The Board will maintain its support for the Appearance Money Scheme in 2008 with an allocation of £1.5m. The 2008 Scheme will again focus on support for Sunday racing and certain categories of race that tend to attract small fields. The Scheme will continue to be subject to annual review.

Industry training and education

33. The Board will continue to contribute to the financing of the British Horseracing Education and Standards Trust (BHEST) system of National Vocational Qualifications for stable staff and to the TBA's British Stud Staff Project. It will again make available funding for the BHEST Education Programme.

Other heads of expenditure

34. The Board will continue to make Point-to-Point Grants in 2008.

35. The Board will again provide a budget allocation in 2008/09 for Research and Development (R and D) in the Racing Industry, and will be prepared to consider, on their merits, applications for R and D grants.

Improvement of breeds

36. The Board will continue its support in 2008 for the Breeders' Prizes Scheme which will continue to be subject to annual review.

37. Funding for Horses and Pony Societies in 2008/09 will be allocated on the basis of the agreed arrangements, which provide for funding for rare and heavy breeds of horses and ponies.

38. Under the new ownership of the Jockey Club, the Board will continue to support the National Stud Training Scheme with an annual grant.

Veterinary science and education

39. The Board will maintain support to veterinary science and education in 2008/09, including the surveillance of equine infectious diseases by the Animal Health Trust and financial contributions to the Equine Genetics Programme. In continuing to

examine carefully the recommendations of its Veterinary Advisory Committee, which will consult with the Racing Industry as to research priorities, the Board will pay particular regard to the application of individual projects to the racing and breeding of Thoroughbred horses.

Charitable donations

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

Environmental and sustainability policy

41. 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

42. 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

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

Relations with other bodies

44. The Board will seek to maintain good working relationships with the various authorities and organisations with which it works on a regular basis within the Racing and Bookmaking Industries, and with DCMS and the Gambling Commission.

May 2008

Corporate Governance

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

CODE OF PRACTICE

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

INFORMATION GIVEN TO THE AUDITORS

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

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

REGISTER OF MEMBERS' INTERESTS

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

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

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

The purpose of a system of internal control

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

The system of internal control is based on an ongoing process to identify the principal risks to the achievement of the Board's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31st March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Risk management

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

Review of effectiveness

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

- at least nine Board meetings a year which are also attended by the executives;
- an Audit Committee which met twice in the year ended 31st March 2008;
- an Annual Report from the Chairman of the Audit Committee to the Board;
- internal audit and risk review undertaken by external advisors; an internal control and risk manual;
- allocation of risk ownership;
- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board;
- regular reviews by the Board of quarterly and annual financial reports which indicate financial performance against the budget;
- as appropriate, formal project management disciplines.

AUDIT COMMITTEE

The Members of the Audit Committee are as follows:-

Chris Deuters (until June 07)(Chairman)

Penny Boys CB (Acting Chairman)

Chris Bell

David Thorpe

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

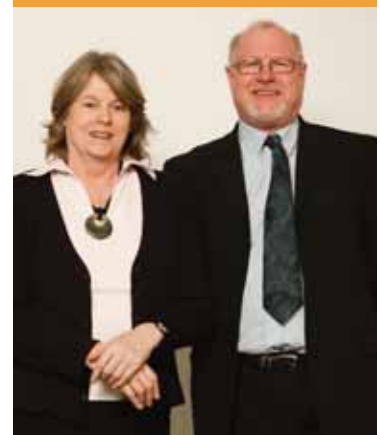
- to review the Board's internal and external Financial Statements and reports to ensure that they are appropriate and reflect best practice;
- to recommend to the Board the appointment of external auditors;
- to approve arrangements for audits;
- to advise the Board on its annual and long term audit programs and to approve the response to the auditor's Management Letter;
- to review the effectiveness of the Board's internal control systems;
- to report once a year to the Board on the discharge of the above duties;
- to review the Board's risk controls and compliance with the Treasury's recommended Code of Practice;
- to review Members' and Executives' register of interests and advise on any conflicts;
- to review the Board's banking and investment arrangements;
- to appoint the Board's internal audit and risk advisors and review their findings;
- to consider any other matters when requested to do so by the Board.

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



ADMINISTRATION

Phil Clatworthy is Pensions Manager with responsibility for the smooth operation and maintenance of the HBLB Pension Scheme and all other employee benefits.



Allan Stone is Administration and Information Manager ensuring the smooth running of office operations, whilst Caroline Hoctor-Duncan is the welcoming Receptionist that callers to HBLB will recognise.



Kathie Arundell (left) is Personal Assistant to the Chairman and the Chief Executive and records minutes at all HBLB Board meetings. Thelma Sequeira is PA to the Finance Director and the Racing Director.

REMUNERATION COMMITTEE

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

David Thorpe (Chairman)

Penny Boys CB

Peter Jones (*until January 2008*)

Chris Bell

This Remuneration Committee meets as required to:-

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

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

FREEDOM OF INFORMATION

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

RACE RELATIONS

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

Douglas Erskine-Crum CBE

Chief Executive and Accounting Officer

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

We have audited the financial statements of the Horserace Betting Levy Board ("the Board") for the year ended 31st March 2008 which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of the Members, Chief Executive and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Accounts Direction issued by the Secretary of State for the Department for Culture, Media and Sport and whether in all material respects the income and expenditure have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. We also report to you whether in our opinion the information given in the Management Commentary is consistent with the financial statements.

In addition we report to you if, in our opinion, the Board has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the Members' and Chief Executive's remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Chief Executive's Review of the Year, Improvement of Horseracing, Breeds and Veterinary, 46th and 47th 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 Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Members and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Board's affairs as at 31st March 2008 and of its surplus for the year ended;
- the financial statements have been properly prepared in accordance with the Accounts Direction issued by the Secretary of State for the Department for Culture, Media and Sport;
- the information given in the Management Commentary is consistent with the financial statements; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Grant Thornton UK LLP

Registered Auditors
Chartered Accountants
London

11th June 2008

Revenue Account for the year to 31st March 2008

	Notes	2008 £'000	2007 £'000
Revenue			
Levy income receivable for:			
46th Levy Scheme	2a	107,300	–
45th Levy and previous years' schemes	2a	568	91,642
		107,868	91,642
Levy income receivable from Horserace Totalisator Board	2a	9,200	8,732
		117,068	100,374
Other income			4,848
Interest receivable		1,446	1,292
Total revenue		118,514	106,514
Expenditure			
Expenditure costs:			
Improvement of horseracing	4a	101,017	99,134
Other expenditure	4b	9,427	11,465
Pension finance costs		1,406	396
Total expenditure		111,850	110,995
Operating (Deficit)/surplus	5	6,664	(4,481)
Exceptional Items	6	–	1,424
Profit on disposal of fixed assets		–	4,659
Taxation	9	192	(1,689)
Surplus/(deficit) for the year transferred to reserves	15	6,856	(87)

The surplus for the year arose from continuing operations.

Statement of Total Recognised Gains and Losses for the year to 31st March 2008

	Notes	2008 £'000	2007 £'000
Surplus/(deficit) for the financial year		6,856	(87)
Actuarial (loss)/gain on the defined benefit pension scheme	18	(297)	360
Total recognised gains for the year		6,559	273
Prior year adjustment	15	–	1,000
Total recognised gains since the last report and accounts		6,559	1,273

Balance Sheet as at 31st March 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Tangible fixed assets	10	93	112
Loan to National Stud		–	1,100
Loans	11	43,456	40,084
Total fixed assets		43,549	41,296
Current assets			
Debtors	12	25,532	3,781
Loans due within one year	11	6,192	9,396
Current asset investments		21,000	30,000
Bank deposits and cash in hand		5,769	7,210
Total current assets		58,493	50,387
Creditors: amounts falling due within one year	13	(17,075)	(17,159)
Net current assets		41,418	33,228
Total assets less current liabilities		84,967	74,524
Provision for Liabilities and Charges	14	(2,942)	(580)
Net assets excluding pension liability		82,025	73,944
Pension liability	18	(2,723)	(1,201)
Net assets including pension liability		79,302	72,743
Reserves	15	79,302	72,743

These Financial Statements were approved and authorised for issue by the Board on 11th June 2008 and were signed on its behalf by:

Robert Hughes CBE
Chairman

Douglas Erskine-Crum CBE
Chief Executive

Cash Flow Statement for the year to 31st March 2008

	Notes	2008 £'000	2007 £'000
Operating activities			
Net cash outflow from operating activities	16	(9,680)	(10,488)
Returns on investments and servicing of finance	17	867	1,145
Taxation		(1,409)	(62)
Capital expenditure and financial investment	17	(218)	(2,429)
Acquisitions and disposals	17	–	18,738
Cash (outflow)/inflow before use of liquid resources		(10,440)	6,904
Management of liquid resources		–	(1,500)
(Decrease)/increase in cash in the year		(10,440)	5,404
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash in the year		(10,440)	5,404
Cash inflow from movement in liquid resources	17	–	1,500
Cash disposed of with subsidiary undertaking		–	(1,450)
Movement in net funds in the year		(10,440)	5,454
Net funds at the start of the year		37,210	31,756
Net funds at the end of the year		26,769	37,210

Notes to the Financial Statements for the year to 31st March 2008

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

a. Income

Levy income

Levy income receivable from bookmakers represents the total amount which it is estimated will be collected in respect of the Levy Scheme for the year (the 46th Levy Scheme for the year ended 31st March 2008) and an amount in respect of adjustments to estimates made in previous years.

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

b. Stocks

No stocks are held.

c. Depreciation

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

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

d. Deferred taxation

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

e. Pension schemes

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

The cost of the defined contribution scheme is charged to the Board's Revenue Account in the year to which it relates.

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

As required by Financial Reporting Standards, on 1st April 2005 the Board fully adopted FRS 17 'Retirement Benefits'.

f. Leases

All leases are regarded as Operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term.

g. Liquid resources

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

h. Improvement of horseracing & veterinary grants

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

3. BETTING, GAMING AND LOTTERIES ACT 1963

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

Section

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

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

4. EXPENDITURE COSTS

4a. Improvement of horseracing

	2008	2007
	£'000	£'000
Owners		
Prize Money	54,204	61,232
Prize Money for divided races	705	798
Appearance Money Scheme	1,557	2,700
Owners' Premium Scheme	181	664
	56,647	65,394
Racecourses		
Abandoned fixtures	760	540
Fixture Incentive Scheme	5,892	6,676
	6,652	7,216
Integrity services		
Fixture fees	11,422	10,411
Regulatory Head Office Grants	4,317	4,140
Integrity fees	5,889	5,398
BHA Pension Scheme – contribution	6,450	–
BHA Pension Scheme – future provision	2,942	–
	31,020	19,949
HFL Ltd		
Cost of services for HRA	4,221	3,775
New Threats Research Project	288	289
	4,509	4,064
Training		
Industry training	964	902
	964	902
Other		
Point-to-point meetings	309	327
Research and development	26	34
IBAS	7	65
Training gallops	–	250
Weighing room scales	(4)	–
TRICL IV	10	153
Racecourse stables CCTV grant	(28)	–
Future Funding Review Group	–	22
Channel 4 Racing	879	734
Jump Racing Focus	–	12
Sundry	26	11
	1,225	1,609
	101,017	99,134

4. EXPENDITURE COSTS *continued***4b. Other expenditure**

	2008	2007
	£'000	£'000
National Stud endowment grant	1,250	–
Improvement of breeds:–		
Breeders' Prizes Scheme	1,673	1,510
Breed societies	172	172
Advancement of veterinary science and education	2,364	2,214
Administration costs	3,631	3,372
Laboratory operating expenses	–	3,916
Bookmakers' Committee costs	253	200
Charitable payments	84	81
	9,427	11,465

5. OPERATING (DEFICIT)/SURPLUS OF REVENUE OVER EXPENDITURE BEFORE TAXATION

	2008	2007
	£'000	£'000
The Group operating (deficit)/surplus is stated after charging the following:		
Remuneration of Board Members and Chief Executive, including pension contributions	320	335
Depreciation	40	924
Operating lease rentals	341	362
Auditors' remuneration: – audit fees	35	34
– other fees	36	59

6. EXCEPTIONAL ITEMS

	2008	2007
	£'000	£'000
Exceptional items are made up as follows:		
Pension Curtailment/Settlement credit/(charge)	–	924
Redundancy & other	–	500
	–	1,424

7. REMUNERATION OF BOARD MEMBERS AND CHIEF EXECUTIVE

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

	2007/08				2006/07			
	Board		Pension		Board		Pension	
	Salaries	Benefits	Benefit	Total	Salaries	Benefits	Benefit	Total
	£	£	£	£	£	£	£	£
Robert Hughes CBE – Chairman	59,500	9,985	8,369	77,854	57,650	9,994	8,056	75,700
Sir John Robb – Deputy Chairman (Retired 30/9/06)	–	–	–	–	11,750	–	–	11,750
Chris Deuters (Appointed 1/10/06; deceased 13/3/08)	24,440	–	–	24,440	11,927	–	–	11,927
Keith Elliott (Retired 30/9/06)	–	–	–	–	8,840	–	–	8,840
Penny Boys CB (Appointed 1/10/06)	18,382	–	–	18,382	8,972	–	–	8,972
Warwick Bartlett (Retired 31/10/06)	–	–	–	–	10,313	–	–	10,313
Christopher Bell (Appointed 1/11/06)	18,382	–	–	18,382	7,500	–	–	7,500
Sir Tristram Ricketts Bt – Chief Executive (Deceased 7/11/07)	110,712	6,080	33,559	150,351	150,000	7,546	57,798	215,344
Douglas Erskine-Crum CBE – Chief Executive (Appointed 4/2/08)	30,743	–	–	30,743	–	–	–	–

The Secretary of State determines the terms and conditions of his appointees and approves their Board salaries. None of the other Board Members receives any remuneration.

8. STAFF NUMBERS AND COSTS

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

	2008	2007
Administration	21	22
	21	22

The aggregate payroll costs of these persons were:

	2008	2007
	£'000	£'000
Wages and salaries	1,247	1,288
Social security	138	161
Pension costs	190	154
Other staff costs	59	95
	1,634	1,698

9. TAXATION

	2008	2007
	£'000	£'000
a) Analysis of charge in year		
Corporation tax change in respect of HFL Ltd trading results up to the date of sale	–	278
Corporation tax at 30%	434	1,411
Adjustments in respect of the previous periods	(626)	–
Tax (refund)/charge	(192)	1,689

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

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

b) Factors affecting the tax charge for the year

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

	2008	2007
	£'000	£'000
Surplus for the year before tax	6,664	1,602
Surplus for the year multiplied by the standard rate of corporation tax of 30%	1,999	481
Effects of:		
Amounts not subject to taxation	(1,565)	(115)
Capital Gain	–	1,045
Adjustments in respect of previous periods	(626)	–
Notional tax charge in respect of HFL Ltd	–	278
Current tax (refund)/charge for the year	(192)	1,689

10. TANGIBLE FIXED ASSETS

	Short leasehold premises	Plant and machinery	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost:				
At 1st April 2007	320	1,511	136	1,968
Additions	–	15	35	50
Disposals	–	(4)	(79)	(83)
At 31st March 2008	320	1,523	92	1,935
Depreciation:				
At 1st April 2007	320	1,479	56	1,855
Charge for the year	–	20	20	40
Disposals	–	(4)	(50)	(53)
At 31st March 2008	320	1,495	27	1,842
Net book value:				
At 31st March 2007	–	33	80	112
At 31st March 2008	–	28	66	93

11. LOANS

	2008	2007
	£'000	£'000
Secured:		
Repayable within five years	46,056	43,826
Repayable after more than five years	1,380	2,550
Unsecured:		
Repayable within five years	2,212	3,104
Repayable after more than five years	–	–
Total Loans	49,648	49,480
Loans included above due within one year	(6,192)	(9,396)
Loans due in more than one year	43,456	40,084

Loans are interest free.

12. DEBTORS

	2008	2007
	£'000	£'000
Amounts due from bookmakers and Tote in respect of levy income	24,127	3,324
Amounts due from the National Stud	–	17
Net amount due from HMRC	192	–
Trade and other debtors	64	326
Prepayments and accrued income	1,149	114
	25,532	3,781

All the above amounts are due within one year.

At 31st March 2008 there were no significant amounts due to or from any Government departments.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	2007
	£'000	£'000
Capital grants	11,764	6,090
Accruals	3,588	4,388
Trade and other creditors	1,678	668
Amounts due to bookmakers and Tote in respect of levy income	–	4,569
Corporation tax	–	1,400
Social security	45	44
	17,075	17,159

14. PROVISIONS FOR LIABILITIES AND CHARGES

	BHA Pension Scheme Provision	Redundancy Provision	Total
	£'000	£'000	£'000
At 1st April 2007	–	580	580
Utilised in the year	–	(580)	(580)
Provided in the year	2,942	–	2,942
Written back in the year	–	–	–
At 31st March 2008	2,942	–	2,942

15. RECONCILIATION OF MOVEMENTS IN RESERVES

	2008	2007
	£'000	£'000
Reserves at 1st April 2007	72,743	71,470
Prior year adjustment	–	1,000
At 31st March 2007	72,743	72,470
Actuarial (loss)/gain on the defined benefit pension scheme	(297)	360
Surplus/(deficit) for the year	6,856	(87)
Reserves at 31st March 2008	79,302	72,743

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

	2008	2007
	£'000	£'000
Operating surplus/(deficit)	6,856	(4,481)
Add back National Stud loan	1,100	–
Interest receivable	(1,446)	(1,292)
Net pension finance charge	422	396
Depreciation	40	924
Current service cost	426	738
Past service cost	558	–
Pension contributions paid	–	(3,661)
Increase in stocks	–	(24)
Increase in debtors	(21,170)	(1,147)
Increase/(decrease) in creditors	1,172	(1,914)
Payments relating to provisions	(580)	(27)
Other non-cash movements	2,942	–
Net cash outflow from operating activities	(9,680)	(10,488)

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

	2008	2007
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	867	1,145
Net cash inflow	867	1,145
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(50)	(1,043)
Sales of tangible fixed assets	–	15
Net loans advanced to racecourses	(168)	(1,301)
Other loans	–	(100)
Net cash outflow	(218)	(2,429)
Management of liquid resources		
Amounts transferred to/from short term deposits	–	(1,500)
Net cash inflow/(outflow)	–	(1,500)
Sale of subsidiary undertaking		
Net assets sold	–	14,079
Profit on disposal	–	4,659
	–	18,738
Satisfied by		
Cash	–	20,250
Costs of disposal	–	1,512
	–	18,738

18. DEFINED BENEFITS RETIREMENT SCHEME

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

In 2005 the Trustees purchased a buyout with an insurance company which insures estimated benefits for active and deferred members assuming a termination date of September 2009. In addition to an up front payment of approximately £24m paid by the Trustees in December 2005, the policy requires three further installments of approximately £3m (net of employees' 4% and employer's 14.2% contributions) which the Board agreed to pay in principle from September 2006 to September 2008.

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

During the year to 31st March 2008, the Board paid regular contributions to the scheme, but no additional contributions.

The valuation used for FRS 17 disclosures has been based on a full assessment of the liabilities of the Scheme as at 30th June 2007. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

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

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

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

	2008	2007	2006	2005
Rate of increase in pensionable salaries	4.7%	4.2%	4.0%	4.4%
Rate of increase in pensions in payment				
– Pre 1st April 1990 service	5.0%	5.0%	5.0%	5.0%
– Post 1st April 1990 service	3.6%	3.2%	2.9%	2.9%
Inflation rate	3.7%	3.2%	3.0%	2.9%
Discount rate	6.9%	5.4%	4.9%	5.4%
Rate of return on assets	6.9%	5.4%	4.9%	5.3%

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

	2008		2007		2006	
	£'000		£'000		£'000	
	Market value	Expected rate of return	Market value	Expected rate of return	Market value	Expected rate of return
Structured buy-out policy	12,449	6.9%	17,309	5.4%	15,596	4.9%
Pensioner annuities	15,103	6.9%	18,835	5.4%	18,837	4.9%
Other	1,375	6.0%	2,692	5.4%	2,204	3.8%
	28,927		38,836		36,637	

The net pension liability comprises:

	2008	2007	2006
	£'000	£'000	£'000
Market value of assets	28,927	38,836	36,637
Actuarial value of liabilities	(31,650)	(40,037)	(41,649)
Deficit	(2,723)	(1,201)	(5,012)

18. DEFINED BENEFITS RETIREMENT SCHEME *continued*

	2008	2007
	£'000	£'000
Analysis of the amount charged to expenditure:		
Current service cost	(426)	(738)
Past service cost	(558)	–
Settlements/curtailments	–	924
	(984)	186
Analysis of amount charged to finance costs:		
Expected return on pension scheme assets	1,712	1,633
Interest on pension scheme liabilities	(2,134)	(2,029)
Net finance (charge)	(422)	(396)
Net charge to revenue account	(1,406)	(210)
Actuarial loss recognised in the statement of total recognised gains and losses:		
Change in the present value of the scheme assets resulting from assumptions used to value a large insurance contract purchased during the year; and actual return less expected return on other pension scheme assets		
Actual return less expected return on Scheme assets	(9,467)	(2,222)
Experience gains and losses arising on the Scheme liabilities	1,020	(9)
Changes in assumptions underlying the present value of the Scheme liabilities	8,150	2,591
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses	(297)	360

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

	2008	2007
	£'000	£'000
Reserves at 31st March excluding pension liability	82,025	73,944
Pension deficit	(2,723)	(1,201)
Reserves at 31st March including pension liability	79,302	72,743
Movement in deficit during the year:		
Deficit in the Scheme at beginning of year	(1,201)	(5,012)
Movement in year:		
Current service cost	(426)	(738)
Past service cost	(558)	–
Settlements/curtailments	–	924
Contributions (including third party contributions)	181	3,661
Net finance (charge)	(422)	(396)
Actuarial (loss)/gain	(297)	360
Deficit in the Scheme at end of year	(2,723)	(1,201)

18. DEFINED BENEFITS RETIREMENT SCHEME *continued*

	2008	2007	2006	2005	2004
	£'000	£'000	£'000	£'000	£'000
History of experience gains and losses:					
Actual return less expected return on Scheme assets	(9,467)	(2,222)	504	57	(329)
Percentage of Scheme assets	(32.7%)	(5.7%)	1.4%	0.2%	(1.2%)
Experience gains and losses on Scheme liabilities	1,020	(9)	3,834	464	(65)
Percentage of Scheme liabilities	3.2%	0.0%	9.2%	1.2%	(0.2%)
Total amount recognised in statement of total recognised gains and losses	(297)	360	(2,681)	(3,072)	(1,569)
Percentage of Scheme liabilities	(0.9%)	0.9%	(6.4%)	(8.2%)	(5.0%)

19. COMMITMENTS

a) At 31st March 2008 the Board had approved loans totalling £95.5m (£88.3m paid out) of which £38.6m has been repaid.

b) At 31st March 2008 the Board had annual commitments under operating leases as follows:

	Land and buildings	
	2008	2007
	£'000	£'000
Expiry date:		
Within one year	165	–
Between one and five years	–	330

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, has undertaken any material transactions with the Horserace Betting Levy Board.

21. CONTINGENT LIABILITY

BHA Pension Scheme

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

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

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

- meet the entire annual deficit contributions (currently £870,000 per annum);
- pay the BHA's future service contributions to the Scheme up to a maximum of 6.4% per annum of pensionable salaries;
- guarantee for 10 years from 1st August 2007 the full Scheme wind-up liabilities, up to a maximum of £32.5m in total, payable in five equal annual 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.

22. POST BALANCE SHEET EVENTS

National Joint Pitch Council Limited

At 31st March 2007 and 2008, the Board held 3 guarantees of £1 each, in the National Joint Pitch Council, a company which administers the on course betting rings.

The Board subsequently served notice of its intention to resign its membership in NJPC on the 13th June 2008.

The National Stud

The National Stud is an undertaking, responsibility for which was transferred to the Board from the then Ministry of Agriculture, Fisheries and Food on 1st April 1963.

The National Stud stands high class and commercial stallions and makes nominations to such stallions available to the owners of mares with the purpose of maintaining the high standard of the English Thoroughbred horse.

The National Stud is controlled on a day to day basis by the Board, however, the beneficial ownership remains with the Crown. The assets of the National Stud are held by the Board on trust for the Crown.

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

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

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