



# The Horserace Betting Levy Board Annual Report and Accounts 2014/15

# **The Horserace Betting Levy Board Annual Report and Accounts 2014/15**

Annual Report and Accounts presented to Parliament pursuant to Section 31  
of the Betting, Gaming and Lotteries Act 1963.

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Photograph@ Racingfotos.com

Front Cover – *AP McCoy and Uxizandre win the Ryanair Chase at Cheltenham 12 March 2015*



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## CHAIRMAN'S STATEMENT



In the year to 31 March 2015, the year of the 53rd Levy Scheme, the Board continued the policies followed by it over the last few years. In particular, the

Board again made a major contribution to prize money and, for calendar year 2015, anticipates spending nearly £57m in this area including Additional Voluntary Contributions ('AVCs') from the four largest retail bookmakers, William Hill, Ladbrokes, Coral and Betfred.

This is set to be the Board's highest contribution to prize money since 2009. In addition, we have again made significant grants to veterinary research, training and education, including assistance to the establishment of the first ever Thoroughbred Horseracing Industries MBA course at Liverpool University.

This is against a background of a significant fall in Levy receipts and uncertainty following the announcement of consultation exercises which were undertaken by the Government covering not merely the possible future scale and shape but also the existence of HBLB as such. In addition, the operations of the Board continued with only one Government Appointed Member, namely myself, as against the required three, this being the result of an elongated recruitment process, which was itself halted before it reached a conclusion.

We have been able to achieve all of this through a combination of strong and committed management, the use of some of our reserves which had been carefully

rebuilt over the last four years and with the cooperation of all members of the Board as well as the wider Racing and Betting Industry.

We have done our housekeeping repairs while the weather was clement!

That path was unfortunately not taken in 2009 and 2010 resulting in the Board's reserves falling to a low of approximately £15 million from a high in 2008 of almost £80 million, a lesson for the future.

The financial outlook to which I shall refer later is for continued uncertainty on our future levels of income and a further reduction in our reserves, although in a deliberately planned way in the short-term.

As a result of our action in the year to 31 March 2015 we incurred a deficit of £4 million as our total income fell by £6 million. To 31 March 2016, we forecast a further fall in our income of £1 million and estimate reserves at the year end of £35 million. This process of using reserves to keep distributions higher than would otherwise be possible cannot continue indefinitely, of course. We are likely, therefore, to be faced with the unattractive necessity of reducing our expenditure in 2017 by a level significantly greater than that we are proposing in 2016.

Indeed, we did debate whether the proposed reduction of £4 million for 2016 was sufficient as it may well lead to a larger reduction in 2017 than would have been the case if the reduction in 2016 was deeper.

Our proposed expenditure in both years will be kept under review in the coming months so that they may be adjusted in the event that there are indications of improvement in our likely financial circumstances.

For the last three years we have benefited from the provision of guarantees, voluntarily offered by the four major retail bookmakers as to the minimum level of Levy payment that each would make. Also for the last three years, we have had the benefit of payments from Betfair equivalent to the Levy on their estimated offshore income. I would also like to thank Bet365 for its decision to make a voluntary contribution after the firm moved its online operation from the UK midway through the year.

As I have already mentioned, we now also have further additional payments from the bookmakers' AVCs arising as a result of an agreement reached in 2013 providing for an aggregate payment to the Levy from them of £4.5m.

Such action as this is, I believe, strong evidence of the acceptance by both parties of the inextricable link which exists between Racing and Betting, and the understanding that the health of one leads to the health of the other. Of course, there are differences of opinion between those two parts of the industry but these, I suggest, albeit important, should be seen in the context of there being far more areas where Racing and Betting do agree commercially sensible and viable arrangements. I believe this is cause for a certain optimism for the future.

Turning to the vexed question of offshore betting profits generated by channels other than the traditional Licensed Betting Offices, I said in my Chairman's Statement as long ago as 2011 that, with regard to Government's then-stated intention that the Levy be extended to capture offshore income of bookmakers, "we enthusiastically support that ambition". I also noted that, without that extension, there is simply not a level playing field for those in business online against British-resident bookmakers that pay Levy in full.

In the circumstances, therefore, it is entirely understandable that the Government decided to take action to correct this anomaly. The last Government stated that its ambition was to abolish the Levy and establish a Horserace Betting Right. At the time of writing it appears that the new Government will adopt this policy and will bring in legislation to this effect.

The attitude of Betting to this proposed legislation will of course depend on many things, some of which are far from clear. The rate at which the impost will apply is critical of course as will also be how this possible new line of revenue will be looked at in the round within the sums received by Racing such as media rights income. The previous Government was of the view that such income should be taken into account in determining an appropriate rate of Levy.

Whatever course of action is determined by Government we will of course offer every assistance and seek to be as supportive and helpful as possible to all parties.

I have mentioned already that we now operate at a time of great uncertainty as far as the Board is concerned. It is obviously important that the challenges posed by this situation should not damage the Board's commitment to be efficient, professional, cost-effective and supportive to both sides of the industry.

While there is much focus on the future, Board members are mindful of the current impact of uncertainty on the staff. I have referred in the past to the harmonious and high-quality operation of the tight-knit team and the Board is determined to operate on a 'business as usual' footing. Again, and most sincerely, I would like to thank Alan Delmonte, Rob Skeggs and the rest of the staff for the work that they do, which I believe is greatly appreciated across Racing and Betting.

October 2014 saw the end of the term of appointment of Paul Bolt, one of my fellow Government Appointed Members. I give my

thanks to Paul, who always offered impartiality and well-researched, knowledgeable views, so crucial to the good functioning of the Board and its sub-committees. At the time of writing, the Board has two vacant Government Appointed Member posts. A process for filling these was undertaken in 2014 but, in light of Government's ongoing consideration of the future of the Levy, it decided in early 2015 to draw a line under the process. We envisage that a new process will begin in summer 2015 and I am pleased that this is the case. Two additional independent members will provide a much valued perspective in discussions and give balance to the Board.

During the year the Board also said goodbye to Paul Bittar who stepped down from his role as Chief Executive of the BHA in early 2015 and was succeeded by Nick Rust. I am grateful to Paul for his input in discussions and decision-making during his time as a Board member. In particular, his wide knowledge of international horseracing was of significant value.

At the end of March 2015, we also said farewell to Will Roseff who was succeeded by Mike O'Kane of Ladbrokes as Chairman of the Bookmakers' Committee. Will made a valuable contribution not just to the Board but through his commitment to the Audit, Investment and Remuneration Committees, on which he served with typical diligence and thoroughness.

In summary, therefore I believe the Board can take some satisfaction from the way its operations have been conducted over the last year. We are not complacent in any sense at all and that would be most dangerous in a time of such flux and change.

In my opinion, a key area of success for the Board has been the way in which it has fostered a good relationship between Betting and Racing, such as the part we played in the negotiations which led to an agreement for the payment of AVCs.

The very fact of the success here also to my mind strengthens evidence that, although it is often said that the Levy system pitches one side against the other, in fact within the Levy system it is perfectly possible to strike agreement and accord to benefit both parties. This will be particularly important in the future and we remain committed to do what we can in this area. I also believe the composition of the Board with representatives of both Betting and Racing does offer convenient opportunities for discussion and, further, the presence of independent people is of assistance to the relationship rather than not.

As to the future, whatever the discussions about the best system to seek to achieve a transfer of funds from Betting to Racing, we will continue to act as an independent source of advice to both.

**Paul Lee**  
Chairman



## CHIEF EXECUTIVE'S REVIEW



The Board's desire to be a source of stability for Racing and Betting made possible the maintenance in calendar year 2015 of expenditure levels in all the

key areas that had been supported in 2014. That stability did not mean that the year was without significant challenge.

On the income side, as the Chairman has noted, the Board decided on the programme of continuity in the knowledge that this was unlikely to be sustainable beyond 2015. We had anticipated that income in 2014/15 would fall from the previous year, but the magnitude of the reduction came as an unwelcome surprise, even given an increasingly refined model to assist in financial planning courtesy of quarterly trading updates from the Bookmakers' Committee. Total gross profit on British horseracing in Licensed Betting Offices, which has fallen by an average of 3% per annum in the past decade, was down by some 7%. The first half of the Levy year saw a particularly significant decline.

Placing reliance on a reversion to a longer term trend immediately after the occurrence of an apparent outlier adds an element of risk. At the start of the 2015/16 year, the Board's financial forecasts utilise the assumption of a fall in leviable gross win of 4%. Regular reports will be made to the Board in the light of results in the early part of the Levy year with any upward or downward revision made to estimates in due course.

On the basis that expenditure reductions are made in 2016, which is in line with current expectations, the Board will consult before decisions are taken. However, attention will focus inevitably on prize money. This is not only because it is by some way the biggest expenditure heading, but also the area that has benefited the most from increases in Levy funding in recent years.

Having undertaken with Racing a major review of the distribution mechanism of the main part of our prize money budget, the General Prize Fund (GPF), calendar year 2014 saw the introduction of a new model, which is implemented in full in 2015. The principal new feature of the system is that it provides an immediate incentive for a racecourse to invest more of its own money into prize money as the award from the Board is linked directly to the forthcoming commitment, rather than to contributions made in the past. Any undershooting by the racecourse during the year is dealt with by a mechanism that claws back a portion of the Board's grants in the following year.

The Board introduced enhancements to its online racecourse system which enables each racecourse to see at a glance its ongoing prize money contributions against its commitment. A further advance came with our development in-house of a fixture auction system that enabled competition between racecourses, in real time, for funding from the Board for certain slots where demand was greater than supply. This infrastructure is capable of being augmented for other fixture-related auctions in future years.

Looking at the model as a whole it is possible to come to the view that the aspiration of creating a formula-based approach to the distribution of GPF funding has had a cost attached. The operation of the system has become more complicated and, although every

aspect of it is explicable, transparency's gain is simplicity's loss. We will look for 2016 but particularly for 2017 at whether the benefits can be maintained but without requiring such significant complexity, which necessitates substantial regular monitoring and checking by racecourses, BHA and ourselves.

The direction of funding to prize money from the AVCs was delayed during 2014 until such time as final agreement was reached between Racing and the four contributing bookmakers. In the event, the £4.5m fund began to be expended in December 2014 as part of a 13 month programme.

Most of the AVCs are being spent on providing additional reward for horses that finish further down the field than the traditional fourth place at which prize money payments stop. The intention of the extended payments is to act as an incentive to connections of horses to run in the knowledge that a placing down to sixth, and in some cases eighth, will result in at least the covering of the costs of entering and running in the race. That, in turn, is designed to boost field sizes, which are so crucial to the punter's interest and the generation of Levy. The effectiveness of the expenditure will be reviewed during 2015.

Another key area of the Board's activity remained the contribution to the advancement of veterinary science and education. The Board's Veterinary Advisory Committee (VAC) oversaw the evaluation of a range of innovative applications for research projects and awards. The Board was pleased to approve the appointment of Professor Celia Marr as VAC Chairman from 2015 and thanked Professor Willie Donachie, who served in that role with distinction for seven years before his retirement at the end of 2014.

The Board was able to provide funding in support of the World Horse Welfare Conference in November 2014 and its sponsorship of the British Equine Veterinary Association Congress was recommenced

after a number of years in abeyance. These important events help to promote horse welfare worldwide. After several years, the Board also reintroduced the publication of its Veterinary Bulletin which outlines the Board's support of equine health and research projects and is distributed to the veterinary profession.

The Board is also looking to the future with its support of the new MBA in Thoroughbred Horseracing Industries. We were pleased to see the culmination of a joint initiative with BHA to introduce advanced training for future leaders and are extremely grateful for the University's support and enthusiasm for this project, particularly from Professor Tom Cannon. The first students on the course are due to begin work in September 2015.

As the Chairman has set out, the previous Government announced in March 2015 an intention to replace the Levy with a new Horserace Betting Right to be administered directly by the Racing industry. Notwithstanding that there is not yet a timescale or clarity as to the final nature that the Right will take, the announcement inevitably creates uncertainty for our staff. It is our intention that employees should continue to be enthused by and committed to the organisation and that there should be no diminution in the standards of service provided to Betting and Racing.

A year ago I noted that the Board's administration costs were continuing to be tightly controlled and indeed in 2014/15 these fell further, in part due to the full year effect of the relocation of the Board's offices to smaller and cheaper premises.

Overall, the 2014/15 costs of operating the organisation were the lowest, in both real and nominal terms, for at least the last 20 years, which was as far back as comparable accounts could be found. This is testament to the efficient and diligent way in which the staff seek to carry out their duties.

The year ahead will see a particular focus on managing with care the Board's cash position and ensuring that the Board is provided with accurate forecasting of Levy yield. The Executive will also provide every continuing assistance in the evaluation of expenditure headings.

In this regard, we will again draw upon the invaluable race by race betting data provided by William Hill, Ladbrokes and Coral. We are gradually finding ourselves in a position where, with the contributors' permission, we are able to publicise more information about the performance of betting sessions and key races. The data also ensures that, after appropriate analysis, we can assist BHA in its evaluation of race planning initiatives and, in particular, advise the Betting Patterns Working Party and the Board in circumstances where it appears that Levy yield may inadvertently suffer if certain fixtures and/or races are removed from the race programme.

**Alan Delmonte**  
Chief Executive

## Purpose

The Horserace Betting Levy Board is a statutory body established by the Betting Levy Act 1961 and now operating in accordance with the provisions of the Betting, Gaming and Lotteries Act 1963 (as amended).

Unlike the majority of other non-departmental public bodies, the Board receives no central Government grant-in-aid and no National Lottery funding. Instead, 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 successor to the Horserace Totalisator Board and to apply 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.

## Objectives

In accordance with its purpose, the Board has agreed six general objectives.

- (1) Support, as cost-effectively as possible, the provision, country-wide and year round, 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.
- (2) Place emphasis on generating horserace betting turnover and thus gross profits, thereby enhancing the Levy and so the funds available for pursuing its objectives, whilst taking proper account of racegoers, horse population and other stakeholder interests.
- (3) Ensure its financial support for the racing industry is cost-effective, value for money and carefully monitored.
- (4) Apply funds at an appropriate level to the improvement of breeds of horses and to veterinary science and education.
- (5) Manage and monitor its reserves and maintain adequate cash balances.
- (6) Continue to liaise constructively with the Racing and Betting industries to promote strong and trusted working relationships for the commercial benefit of both.

## Strategy

In addition to the six general objectives, the Board agrees specific priorities for each year. These priorities are included within the annual business plan, which is published on the Board's website ([www.hblb.org.uk](http://www.hblb.org.uk)) and can be summarised as follows:

### Prize Money

- The Board will focus on increasing the prize money allocation in its distributions and encourage racecourses to increase their prize money contributions further, including through a new model which rewards racecourses based on their planned contributions in the coming year.
- The Board will incentivise racecourses by linking its grants to a racecourse's executive and sponsorship prize money contributions and Levy generation.
- The Board will review on an ongoing basis the effects of the Board's revised model for the distribution of the majority of its prize money and consider further refinements for 2016.

### Fixture Criteria

- The Board will carry out detailed, ongoing analysis of the Fixture List and race programme, including the analysis of betting and other relevant data, and make recommendations to optimise the Fixture Criteria, focusing on Levy generation and the use of funding to achieve, where feasible, a minimum of 7 races per fixture and a minimum of 6 runners per race.

### Integrity

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

### Financial support for the horseracing industry

- The Board will provide financial support for the horseracing industry through loans to racecourses and support the financing of racecourse projects by the capital credit grants scheme.

### Financial Stewardship

- The Board will seek to maintain reserves no lower than £24m.

### Government

- The Board will work with the Department for Culture, Media and Sport on requirements relating to the introduction of the Horserace Betting Right.

## Performance

In a business environment, an organisation might measure its performance on the basis of income or profit. As the Board is comprised of representatives of the payers and recipients of Levy funds, this makes such measures difficult to adopt. Instead, the Board assesses successful performance by monitoring outputs and outcomes, as set out below.

The accounts presented in this annual report show information for the fiscal year 2014/15 and income and expenditure are summarised on this basis, under the principal classifications. The Board, however, agrees the vast majority of its expenditure allocation on a calendar year basis and therefore all references to years in this report should be taken to refer to a calendar year, unless otherwise stated.

Prize money	Prize money allocation	2015 £56.6m	2014 £50.6m
<p>Excluding the distribution of additional voluntary contributions ('AVCs') received from the four largest retail bookmakers, the Board's allocation to prize money in 2015 has increased by £1.8m when compared to the actual amount paid in the prior year. Including the AVCs, prize money allocation rose by £6.0m (11.8%).</p> <p>Excluding AVCs, the additional prize money allocation in 2015, compared to 2014, includes an increase to the Plus 10 prize money scheme (formerly the British Owners and Breeders Incentive Scheme ('BOBIS')) and a small increase to the prize money for BHA Twilight fixtures.</p> <p>The General Prize Fund ('GPF') is the Board's largest prize money allocation and 2015 is the second year in which a new GPF calculation process has been in operation, following a major review in 2013. One of the key changes made was to apportion 60% of the GPF to prospective "Merit" (the amount reflecting a racecourse's own contribution to prize money) and 40% to "Betting" (an amount reflecting betting turnover generated by each racecourse's eligible fixtures). It was envisaged that applying a greater weighting of reward to a forward looking Merit system (previously retrospective), would act as a further incentive to racecourses to invest in prize money. Racecourse investment in prize money increased in both 2014 and 2015 for fixtures specifically linked to the GPF model and the industry has estimated that, in total, record prize-money of more than £130 million will be on offer for British racing in 2015.</p> <p>During the course of 2015 the Board will look at how it can streamline further the way in which it distributes its prize money grants.</p> <p>Information on the allocation of prize money can be found on the Board's website (<a href="http://www.hblb.org.uk">www.hblb.org.uk</a>).</p>			

<b>Fixture criteria</b>	<b>Fixture Criteria Gaps</b>	<b>2015 0</b>	<b>2014 0</b>
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The Fixture Criteria is regarded as the optimal pattern of fixtures throughout the year for Levy generation. Therefore any fixtures occurring outside the Fixture Criteria or any gaps in Fixture Criteria slots remaining unfilled is sub-optimal for the Levy. During 2015 there were no criteria gaps.

Much of the work surrounding the Fixture Criteria is accomplished through the Betting Patterns Working Party ('BPWP') comprised of Racing and Betting appointees, with Levy Board chairmanship and executive support. The BPWP, reporting to the Levy Board, consider analysis of the betting performance of races with a view to recommending mutually beneficial changes to the race programme to maximise Levy generation and make best possible use of the horse population. The BPWP also oversees the funding of new initiatives and implements action plans to avoid gaps in the race programme.

More information on the Fixture Criteria can be found on the Board's website ([www.hblb.org.uk](http://www.hblb.org.uk)). For the purposes of determining a Fixture Criteria gap, the Board disregards 23rd to 25th December, when no racing is programmed, and that at present only two fixtures are programmed on Good Friday.

<b>Integrity</b>	<b>Raceday Services Grants</b>	<b>2015 £16.4m</b>	<b>2014 £16.4m</b>
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For 2015, the method of the apportionment of grants for the provision of technical, security and regulatory services for the protection of the integrity of racing remain broadly unchanged, compared to 2014, within the same financial allocation.

<b>Financial support for the horseracing industry</b>	<b>Loans approved to racecourses</b>	<b>2014/15 £1.3m</b>	<b>2013/14 £8.6m</b>
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Approved loan applications for racecourses in 2014/15 totalled £1.3m, which were awarded to four different racecourses. Information on the priorities applied to loans to racecourses can be found on the Board's website ([www.hblb.org.uk](http://www.hblb.org.uk)).

<b>Financial stewardship</b>	<b>Reserves at 31st March</b>	<b>2014/15 £41.0m</b>	<b>2013/14 £45.0m</b>
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During the year, the Board devoted a significant amount of time to considering the most appropriate policy to adopt for Reserves. Following the year end, in recognition of declining income forecasts, the Board concluded that the total value of Reserves held should be reduced over the period to March 2017. The Board agreed that the absolute minimum Reserves figure should be £24m.

## Principal risks

The evaluation of high-level business risks is an essential part of the construction of the Board’s risk management framework and these risks are monitored through the Board’s Strategic Risk Register. It is the first and a vital stage in providing information which is used in assessing the financial impact of risks and is a key component in determining the total value retained as reserves. The Strategic Risk Register and appropriate mitigating actions are considered and approved by the Board at least three times a year, to ensure effective monitoring of risks. Early warning indicators of the risk materialising have been identified and all of the risks are assigned Risk Owners, i.e. someone with sufficient authority to ensure that the risk is addressed.

At the year end the number of risks included on the Strategic Risk Register totalled seven (2013/14: eight). These are continually

monitored and each principal risk has an impact analysis and a view on the likelihood of the risk crystallising.

During the year the Board undertook a review of the Strategic Risk Register, which culminated in the adoption of a new format that includes five categories of Risk Likelihood and four of Risk Impact (previously there had been three of each) and attributed a Risk score to facilitate the grading of the Risk severity.

These risks are set out below, along with narrative outlining what the Board is doing to address the issue and an indicator of the change in risk compared to the prior year assessment. The assessment of risk represents the residual risk after accounting for mitigating factors and the Board considers that these risks are within acceptable parameters.

	Likelihood	Impact
	Very Likely or Likely	Extreme or Major
	Possible	Moderate
	Unlikely or Very Unlikely	Minor

Area of risk	Likelihood	Impact	Change
Infectious diseases (Animal)			 Stable

### What is the issue?

Equine diseases are an ever-present danger and pose a risk to both the staging of horseracing fixtures and the transportation of animals.

### What are we doing?

The Board provides funding for the infectious disease service and the equine influenza programmes at the Animal Health Trust, which provide diagnostic and surveillance capability for endemic, new and emerging equine infectious diseases. As part of the strategic approach to surveillance the Board publishes annually its Codes of Practice (<http://codes.hblb.org.uk>).

Additionally, the Board works with others in the thoroughbred industry, the Department for Environment, Food and Rural Affairs and the British Equine Veterinary Association on matters concerning import and export controls, quarantine and surveillance.

Area of risk	Likelihood	Impact	Change
Disease pandemic (Human)	<span style="color: red;">●</span>	<span style="color: green;">●</span>	↔ Stable

**What is the issue?**

A human pandemic could result in the movement of people and horses being halted and might impact on the operational capacity of the Levy Board.

**What are we doing?**

Comprehensive plans to address the impact of this risk on the Board's operations are included in the Business Continuity Plan.

Area of risk	Likelihood	Impact	Change
Difficulty in forecasting total income	<span style="color: red;">●</span>	<span style="color: red;">●</span>	↑ Increasing

**What is the issue?**

The Levy yield is calculated as a function of bookmakers' gross profits on British horseracing and therefore is difficult to forecast accurately.

**What are we doing?**

To facilitate intra-year monitoring the Bookmakers' Committee provides quarterly trading updates to the Board based on the actual trading data from a large sample of Licensed Betting Offices.

The 54th Levy Scheme has been underpinned by a minimum guarantee of £47.5m provided by the four largest retail bookmakers.

Area of risk	Likelihood	Impact	Change
BHA final salary pension scheme	<span style="color: yellow;">●</span>	<span style="color: red;">●</span>	↔ Stable

**What is the issue?**

The Board provides a guarantee to the Trustees of the BHA final salary pension scheme, which would be called if the BHA could no longer afford to meet its pension obligations.

**What are we doing?**

The liability of the Board is capped at a maximum of £30.3m and if triggered, the guarantee payment would be spread over five years. The life of this guarantee period extends to 2024.

Area of risk	Likelihood	Impact	Change
Credit risk	<span style="color: green;">●</span>	<span style="color: green;">●</span>	↔ Stable

**What is the issue?**

The Board is exposed to credit risk from either a bookmaker or a racecourse encountering financial difficulties.

**What are we doing?**

Prompt action is always taken in the event of late or non-payment of Levy and the Board utilises the civil courts to pursue unpaid debts. Due diligence is undertaken for all new loans granted and the Board ensures that loans in excess of £200,000 are fully secured by legal debentures and charges over land.

Area of risk	Likelihood	Impact	Change
<b>Abolition of the Board</b>			 Increasing

**What is the issue?**

The announcement in March 2015 by the Government that the Levy system will be replaced by a Horserace Betting Right, to be administered directly by the Racing industry, prompting the closure of the Board may result in uncertainty leading to staff retention issues that could impinge on the orderly handover to the successor body.

**What are we doing?**

A close working relationship exists with the Department for Culture, Media and Sport and the Board is monitoring progress of the Horserace Betting Right. The Remuneration Committee is considering the most appropriate approach to incentivise employees to remain with the organisation in an attempt to avoid a significant number of staff departing prior to closure.

Area of risk	Likelihood	Impact	Change
<b>Racing and Betting business models and environment</b>			 Increasing

**What is the issue?**

The Racing industry has a number of significant non-Levy income streams including, but not limited to, media rights income, sponsors and racegoers. Declines in these revenues may not have an immediate impact on the Board per se, but a reduction in the ability of racecourses to maintain and increase current prize money levels could lead to the withdrawal of owners who are not replaced, creating a fall in the horse population, which could have a knock-on impact on the fixture list and hence Levy yield.

Regulation and taxation surrounding bookmakers' activities has changed in the past year and, like any other industry, increases in regulatory or fiscal burdens can affect the continued viability of operators.

**What are we doing?**

The Board has limited scope to manage these risks and therefore continued cautious budgeting is relied upon to reduce the impact of unforeseen changes.

Alan Delmonte  
Chief Executive and Accounting Officer  
Horserace Betting Levy Board

24th June 2015

## Board Members, Officers and Advisers

The Board Members, Observers and Board Executives as at 31st March 2015 were as follows. Full details of Board Members who served during the year are shown on page 22.

### Board Members

**Paul Lee\***

Chairman

**Ian Barlow\*\***

Chairman, Racecourse Association

**Philip Freedman\*\***

Chairman, Horsemen's Group

**Will Roseff**

Chairman, Bookmakers' Committee

**Nick Rust\*\***

Chief Executive, British Horseracing Authority

\*Appointed by the Secretary of State for Culture, Media and Sport

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

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### Bankers

Barclays Bank Plc

HSBC Plc

Lloyds Bank Plc

NatWest Bank Plc

Weatherbys Bank Limited

### Observers

**Mike O'Kane**

Bookmakers' Committee

### Board Executives

**Alan Delmonte**

Chief Executive & Accounting Officer

**Rob Skeggs**

Finance Director

### Auditors

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
London SW1W 9SP

### Solicitors

Herbert Smith Freehills LLP

Burges Salmon LLP

## Statement of Responsibilities of Members and the Accounting Officer of the Horserace Betting Levy Board

Under the Betting, Gaming and Lotteries Act 1963 (as amended), the Secretary of State for Culture, Media and Sport has directed the Horserace Betting Levy Board to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Horserace Betting Levy Board and of its income and expenditure, changes in reserves and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the Secretary of State for Culture, Media and Sport, including the relevant accounting and disclosure requirements, and apply them on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

The Accounting Officer of the Department for Culture, Media and Sport has designated the Chief Executive as Accounting Officer

of the Horserace Betting Levy Board. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Horserace Betting Levy Board's assets, are set out in Managing Public Money published by HM Treasury.

### 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, while the exclusive licence under section 8 of the Horserace Betting and Olympic Lottery Act 2004 has effect, the successor company to the Horserace Totalisator Board, and to apply 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.

#### **Alan Delmonte**

Chief Executive and Accounting Officer  
Horserace Betting Levy Board

24th June 2015

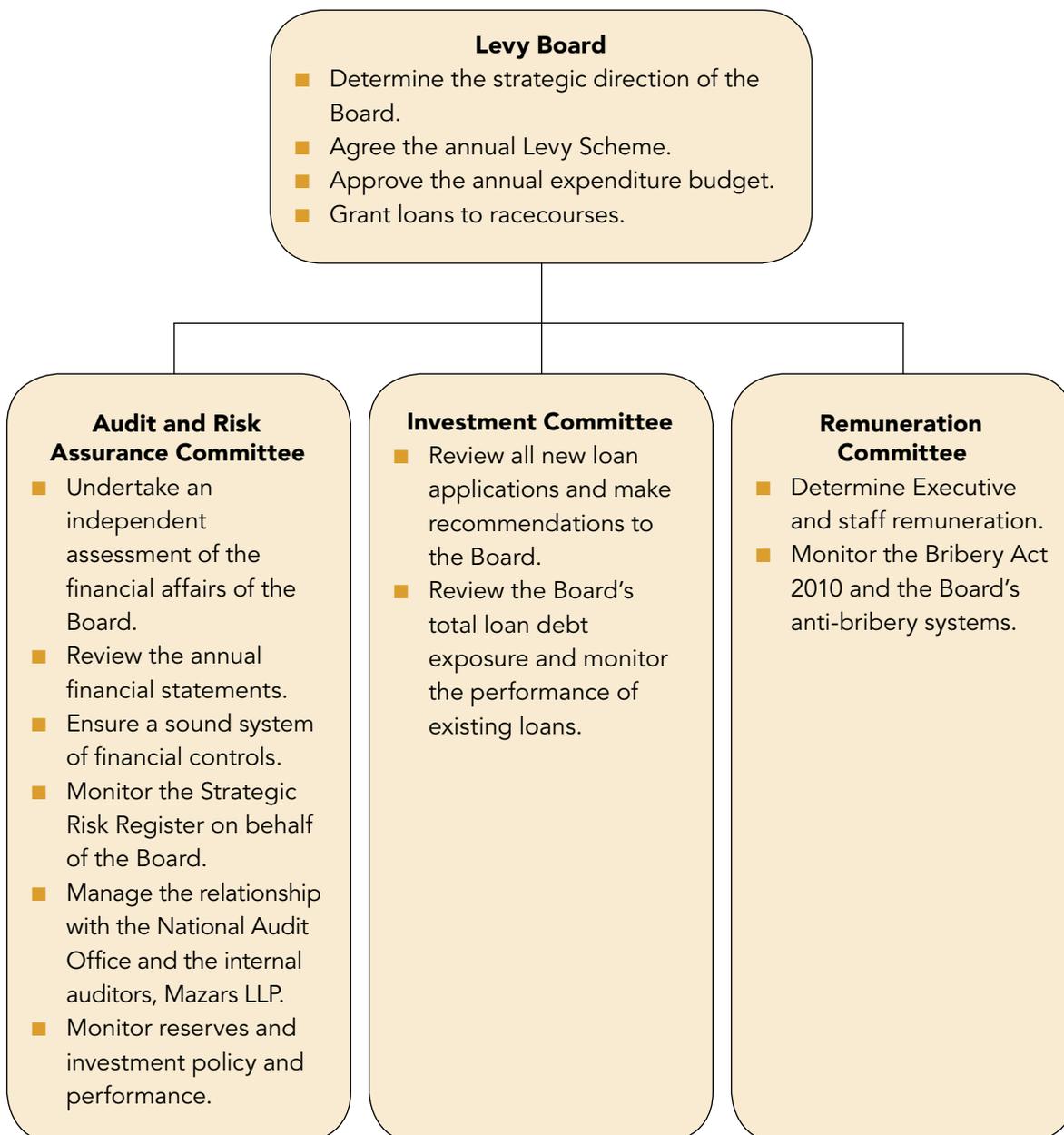
## Governance statement

As Accounting Officer, it is fundamental to my responsibilities to manage and control the resources of the Horserace Betting Levy Board and to ensure that an appropriate corporate governance framework is in place that supports the achievement of the Board’s purpose and objectives, which are in accordance with the Betting, Gaming and Lotteries Act 1963 (as amended). This statement explains the key features of the Board’s governance structure and how it has complied with the relevant principles and provisions of HM Treasury’s recommended Corporate Governance Code

(‘the Code’), where they are relevant to the Board, including ‘Managing Public Money’. There were no departures from the Code in 2014/15.

## Governance Framework

The Horserace Betting Levy Board’s governance framework consists of the Levy Board, led by the Chairman, Paul Lee, and a number of sub-committees as shown below. I manage the day to day activity of the Board and I am responsible for the performance of the Board’s staff.



## The Levy Board

As at 31st March 2015, the Board comprised the Chairman, appointed by the Secretary of State for Culture, Media and Sport, three Board Members appointed by the Jockey Club and one Board Member appointed by the Bookmakers' Committee. There were two vacancies for Government Appointed Board Members who are appointed by the Secretary of State for Culture, Media and Sport.

The Chairman is appointed on a fixed term contract for a period of four years. The terms of appointment of other Board Members are as proposed by their appointing bodies.

The Board members who are appointed by the Jockey Club and the Bookmakers' Committee are permitted to appoint an alternate in the event that they are unable to attend a Board meeting, whilst a Government Appointed Member may give another Government Appointed Member his proxy to vote on his behalf.

The Board's performance, including its effectiveness, was last assessed in May 2014 when it was concluded that, bearing in mind the representative nature of the Board, the Board had performed effectively.

During 2014/15 the key areas scrutinised by the Board included: finalisation of a new operating arrangement with DCMS, which sets out the financial and organisational framework within which the Board operates as an executive Non-Departmental Public Body of DCMS and the responsibilities involved; extensive discussion as to the most appropriate reserves policy; and agreement in September 2014 of the terms of the 54th Levy Scheme.

In addition, to assist with determining the 2015 expenditure budget the Board received individual reports on expenditure proposals, which included: British Owners and Breeders Incentive Scheme, Mare Owners Prize Scheme,

Industry training, British Champions Day, Great British Racing International and Point-to-Point grants.

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, which may be viewed at the Board's offices on request, is also available on the Board's website, [www.hblb.org.uk](http://www.hblb.org.uk).

## The Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee is an advisory body with no executive powers, it acts as the conscience of the Board and provides insight and strong constructive challenge where required. The full terms of reference are available on the Board's website, [www.hblb.org.uk](http://www.hblb.org.uk).

There is currently a vacancy for the Committee Chair, since the Committee is usually chaired by a Government Appointed Member, other than the Chairman of the Board. In their absence, it has been chaired by Ian Barlow since November 2014. The members during 2014/15, both of whom had served for in excess of five years, were Ian Barlow and Will Roseff, who are chartered accountants with extensive listed (or equivalent) board experience and skilled in all aspects of corporate governance. The membership of the Committee reflects the representative composition of the Board and this principle is considered to override guidance on the maximum duration normally allowed for the term of appointment to the Committee. The Audit and Risk Assurance Committee reports to the Board after each Committee meeting.

In 2014/15 the Audit and Risk Assurance Committee met twice. Each meeting was attended by the Chief Executive, the Finance Director, the Finance Manager and representatives from the National Audit Office

(external auditors) and Mazars LLP (internal auditors). The programme of work in 2014/15 is set out below.

The Committee continued to scrutinise the Board's banking and investment arrangements and received reports at each meeting on treasury management and counter-party risk policy. Additionally, in line with its remit to consider risk and the financial controls framework, the Committee reviewed the Board's Strategic Risk Register at every meeting and approved the scope of work of Mazars LLP and reviewed their findings.

During the year the Committee noted the scope of the audit work proposed by the National Audit Office.

Since the year end, the Committee has considered the Completion Report presented by the National Audit Office and the 2014/15 Annual Report and Accounts and concluded that taken as a whole these are fair, balanced and understandable and has advised the Board accordingly. In reaching this opinion the Committee determined that the key area of judgement, the estimate of amounts due from/to bookmakers in respect of Levy income, had been appropriately made by the Executive.

Will Roseff left the Board and consequently the Audit and Risk Assurance Committee with effect from 1st April 2015. Mike O'Kane has been appointed as his replacement on the Committee.

### The Investment Committee

The Investment Committee met twice in 2014/15. At the year end the Committee members were Paul Lee (Chairman), Will Roseff and Ian Barlow.

The Board agreed that in light of there being two vacancies for Government Appointed Members of the Board, the Chairman of the Board should chair the Investment Committee at least until such time as the new Board Members were appointed.

The Investment Committee received new loan applications. The Committee undertakes both a detailed assessment of the underlying credit worthiness of the potential borrower and, for larger projects, commission a review of the project construction plans by an external consultant. Having assessed the financial health of the applicants recommended to the Board four loans to racecourses, totalling £1.3m.

The Committee monitored existing loans and their recoverability.

### The Remuneration Committee

The Remuneration Committee met once in 2014/15 and determined the Executive and staff remuneration in line with the powers conferred on the Board by s.24(7) of the Betting, Gaming and Lotteries Act 1963. At the year end the Committee members were Paul Lee (Chairman), Will Roseff and Philip Freedman.

The Board agreed that in light of there being two vacancies for Government Appointed Members of the Board, the Chairman of the Board should chair the Remuneration Committee at least until such time as the new Board Members were appointed.

The Committee continued to monitor the Bribery Act 2010 and the Board's anti-bribery systems as they affect Members, Executive and staff of the Board, which included reviewing the Gifts and Hospitality Register.

## Board and Sub-Committee Attendance

In 2014/15 Members' attendance at Board and Sub-Committee meetings is shown in the table below:

Board member	Appointed by	Board Meetings	Audit and Risk Assurance Committee	Remuneration Committee	Investment Committee <sup>4</sup>
Paul Lee <sup>1</sup> Chairman	Secretary of State for Culture, Media and Sport	7	–	1	1
Paul Bolt <sup>2</sup> (to 2nd October 2014)	Secretary of State for Culture, Media and Sport	3	1	–	1
Paul Darling OBE QC <sup>3</sup> (to 30th April 2014)	Secretary of State for Culture, Media and Sport	–	–	–	–
Ian Barlow	Jockey Club	6	1	–	2
Philip Freedman	Jockey Club	7	–	1	–
Paul Bittar (to 16th January 2015)	Jockey Club	5	–	–	–
Nick Rust (from 19th January 2015)	Jockey Club	2	–	–	–
Will Roseff (to 31st March 2015)	Bookmakers' Committee	6	2	1	2
<b>Total number of meetings</b>		7	2	1	2

<sup>1</sup> Paul Lee was appointed as Chairman of the Investment Committee with effect from 31st October 2014 and Chairman of the Remuneration Committee with effect from 28th January 2015.

<sup>2</sup> Paul Bolt served as Chairman of the Audit and Risk Assurance Committee for the period to 2nd October 2014 and Chairman of the Investment Committee from 10th July 2014 to 2nd October 2014.

<sup>3</sup> Paul Darling OBE QC served as Chairman of the Investment Committee and Remuneration Committee for the period to 30th April 2014.

<sup>4</sup> The Standing Orders of the Investment Committee permit members who were unable to attend meetings to be represented by an alternate.

### Bookmakers' Committee

The Bookmakers' Committee recommends annually to the Board the categories, rates, conditions and definitions of the Levy Scheme for the following year and, if appropriate, consider revising such recommendations in light of the observations of the Board.

The Bookmakers' Committee therefore was under remit to make recommendations to the Board, by the statutory deadline of 31st October 2014, for the terms of the 54th Levy Scheme.

The recommendations, put forward to the Board in September 2014, were on the understanding that the Board and the Bookmakers' Committee would continue to use reasonable endeavours to achieve, in 2015, a fixture programme of a minimum of 1,450 criteria fixtures, an improvement in the average number of runners per race across all codes and afford bookmaking representatives greater influence in respect of the fixture programme.

In particular, race planning would continue to be targeted to deliver a minimum of 7 races per racecard and a minimum of 6 runners per race.

The 54th Levy Scheme (1st April 2015 to 31st March 2016) was agreed on 17th September 2014, with Board members approving unanimously the Recommendations from the Bookmakers' Committee.

The Members of the Bookmakers' Committee who served during the year are as follows:

Will Roseff (Chairman)	ABB
Thomas Murphy (Vice Chairman) (to December 2014)	William Hill plc
Mark Chambers	Gala Coral Group
Howard Chisholm	ABB
Dominic Ford	ABB
James Henderson (from August 2014)	William Hill plc
Andy Hornby	Gala Coral Group
Keith Johnson	NAB
Greg Knight	ABB
Mike O'Kane (Vice Chairman from January 2015)	Ladbrokes plc
Reg Ozcan	The Sporting Exchange
Nick Rust (to November 2014)	Ladbrokes plc
David Steele (from January 2015)	William Hill plc
Ralph Topping (to July 2014)	William Hill plc
Andrew Watson	NAB

General Secretary: Stu McInroy

Notes:

ABB: Appointed by the Association of British Bookmakers

NAB: Appointed by the National Association of Bookmakers

## Internal Control and Risk Management

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Board's 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 (see Principal Risks on pages 14 to 16). This process has been in place for the year ended 31st March 2015 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance. No significant failings or weaknesses were identified as a result of the review of the effectiveness of the Board's internal control. Accordingly, the Board has concluded that its internal control framework and systems are effective.

## Quality of data

Management reporting systems are in place to provide Board members with detailed information to assist in the decision making process. Although the quality of data concerning expenditure is considered sufficient for the needs of the Board, it is acknowledged that, under the arrangements of the Levy Scheme, whereby the final Levy yield is not known until some months after the Levy period has ended, there is a degree of estimation in respect of income. This is an unsatisfactory situation; however, the Board is compelled to work within the constraints of the annual Levy Scheme process. In mitigation, the Board is greatly assisted, with respect to income estimates, by the Bookmakers' Committee which provides quarterly updates on the Levy

yield generated by Licensed Betting Offices based on actual trading information supplied by a sample of the largest bookmakers.

## Risk Management Framework

The Board is assisted by the work of the annual internal audit assurance visit, undertaken by external advisors (Mazars LLP), which reports on the internal control and the assurance framework in line with the agreed three-year internal audit plan. During the year, Mazars LLP carried out reviews on:

- Debtor recovery and Levy collection;
- Non-racing 3rd party grants;
- Follow up on recommendations arising from the 2013/14 internal audit review.

Their work concluded that, at the time of their review, the key control framework for debtor recovery and Levy collection provides substantial assurance that risks material to the achievement of HBLB's objectives in respect of this area are adequately managed.

In relation to non-racing 3rd party grants Mazars LLP concluded that the key control framework provided limited assurance. Their work identified certain areas where there is scope for further improvement in the control environment and they have made a number of recommendations, which the Executive has accepted and will implement over the coming months.

## Information Management

The Board has suffered no protected personal data incidents during the year ended 31st March 2015 or prior years and has made no reports to the Information Commissioner's office.

During the year the Board received a number of Freedom of Information requests. Many of these were time-consuming; however, the Board has continued to meet the requirements of the Freedom of Information Act 2000. The

Board's website [www.hblb.org.uk](http://www.hblb.org.uk) contains full details of information published by the Board and how to make a request under the Act.

## Information Given To Auditors

The Accounting Officer and each of the Members of the Board have 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.

There is nothing of which I am aware that leads me to believe that the Board's systems of control are not adequate and I believe that this statement gives a true reflection of corporate governance of the Horserace Betting Levy Board during 2014/15.

### **Alan Delmonte**

Chief Executive and Accounting Officer  
Horserace Betting Levy Board

24th June 2015

## Remuneration report

### (i) Unaudited Information

#### Government Appointed Board Members

The Chairman and the Government Appointed Members of the Board are appointed by the Secretary of State, on terms set on the basis of advice from the Civil Service Senior Salaries Review Body, for a period of between three and four years.

Paul Lee was appointed Chairman for a second four-year term commencing on 1st October 2013. His contract provides for approximately five days work per month on average, not including attendance at race meetings and associated events.

Paul Darling and Paul Bolt ceased their appointments as Government Appointed Members of the Board during April and October 2014 respectively and their positions remain vacant as at 31st March 2015. The total time commitment for the Government Appointed Members of the Board is expected to be approximately two to three days per month.

The appointments of the Chairman and the Government Appointed Members of the Board may be terminated at any time by either party giving written notice. These positions are not pensionable and none of their salary is performance related.

#### Chairman of the Bookmakers' Committee

The Chairman of the Bookmakers' Committee is appointed as a Board Member (in accordance with section 24(2) of the Betting, Gaming and Lotteries Act 1963 (as amended)). In 2013, Will Roseff was re-appointed as Chairman of the Bookmakers' Committee for a two-year term ending on 31st March 2015. It is customary for

the remuneration of the Bookmakers' Committee's appointee to equate to that of the Government Appointed Members of the Board and similarly no pension is attached to this position nor is the salary performance related.

#### Jockey Club Appointees

Under section 24(2) of the Betting, Gaming and Lotteries Act 1963 (as amended), three Board Members are appointed by the Jockey Club. These Board Members do not receive any remuneration.

#### Chief Executive

The Chief Executive is appointed on an open-ended contract, which may be terminated by the Board giving not less than twelve months' notice in writing or the employee giving not less than six months' notice in writing.

Under s.24(7) of the Betting, Gaming and Lotteries Act 1963 (as amended), the Levy Board has the power to appoint officers, servants and agents on such terms as to remuneration, pensions or otherwise as the Board may determine. The Remuneration Committee determines the remuneration of the Chief Executive.

The Chief Executive is not eligible to receive a bonus payment and none of his salary is performance related. During 2014/15, pension contributions totalling £14,994 (2013/14: £14,672) were paid by the Board on his behalf.

#### Sickness Absence

Average sickness absence per person employed by the Board during the year ended 31st March 2015 was 3.5 days (2013/14: 5.3 days).

#### Equality

The Board continues to operate, in all areas of its activity, in line with the Equality Act 2010 and its own Equal Opportunity Policy,

and continues to monitor recruitment and employment. There continues to be full equality of access to promotion, training and other features of employment within the Board. Control measures are in place to ensure that all of the Board's obligations under equality, diversity and human rights legislation are complied with.

## (ii) Information subject to Audit

The table below provides details of the salaries and benefit in kind (private medical insurance) of the Board members who are remunerated and the Chief Executive. None of these individuals are entitled to receive performance related bonuses.

	2015		2014	
	Board salaries	Benefit in kind (to nearest £100)	Board salaries	Benefit in kind (to nearest £100)
	£000	£	£000	£
<b>Board Members</b>				
Paul Lee – Chairman	60 – 65	–	60 – 65	–
Paul Bolt (left 2nd October 2014)	5 – 10	–	15 – 20	–
Paul Darling OBE QC (left 30th April 2014)	0 – 5	–	15 – 20	–
Will Roseff	15 – 20	–	15 – 20	–
<b>Chief Executive and Accounting Officer</b>				
Douglas Erskine-Crum (left 7th April 2013)	–	–	0 – 5	–
Alan Delmonte <sup>1</sup> (appointed 8th April 2013)	145 – 150	2,100	145 – 150	1,900

### Note:

<sup>1</sup> Pension contributions totalling £14,994 (2013/14: £14,672) were paid to the Board's group personal pension plan on behalf of Alan Delmonte.

The Chairman of the Board was the highest earner in 2014/15, based on his full time equivalent salary of £172,385 (2013/14: Chairman of the Board, £172,385). This was 3.31 times (2013/14: 3.26) the median remuneration of the workforce, which was £52,142 (2013/14: £52,920). With the exception of the Chairman of the Board, no employees in 2014/15 received remuneration in excess of the Chief Executive and Accounting Officer.

The median remuneration of the Board's staff is calculated by reference to remuneration of the staff members, including the Government Appointed Board Members and the Chairman of the Bookmakers' Committee, but excluding the highest paid director, which is the

Chairman. In calculating the total remuneration of employees, the remuneration is based on their full time equivalent salary where appropriate and annualised for employees in post at the reporting period end date but who have not been employed for the entire year.

Total remuneration includes salary and benefit-in-kind. It does not include employer pension contributions, any severance payments and the cash equivalent transfer value of pensions.

## Breakdown of staff numbers

The breakdown of staff numbers as at 31st March 2015 was as follows:

	Male	Female
Number of Board Members of each sex	5	–
Number of senior managers of each sex	1	–
Number of employees of each sex	5	10

**Alan Delmonte**

Chief Executive and Accounting Officer  
Horserace Betting Levy Board

24th June 2015

## The 54th Levy Scheme

The 54th Levy Scheme will in most respects continue the terms of the 53rd Levy Scheme with a bookmaker's 2015/16 Levy liability being calculated by reference to the gross profit on British Horserace Betting Business (BHBB). The full Levy Scheme can be found on [www.hblb.org.uk](http://www.hblb.org.uk).

	54th Levy Scheme	53rd Levy Scheme
Off-course betting through Licensed Betting Offices (LBOs) – Operators with more than 100 LBOs	10.75%	10.75%
Off-course betting through LBOs – Operators with 100 or fewer LBOs	Abated rate applies to those of its LBOs (up to a maximum of 30) which have gross profits on BHBB of less than £57,257	Abated rate applies to those of its LBOs (up to a maximum of 30) which have gross profits on BHBB of less than £55,860
Flat Rate Rebate for the first 30 LBOs in any chain	n/a	£758
Flat Rate Rebate for all other LBOs	n/a	£191
Flat Rate Rebate applicable to LBOs generating gross profit on BHBB of £60,000 or less	£1,100 per LBO, up to a maximum of 30 in any chain and £500 for all other LBOs	n/a
Flat Rate Rebate applicable to LBOs generating gross profit on BHBB of between £60,001 and £60,999	£500 pro-rata	n/a
Internet and telephone	10.75%	10.75%
Bet-brokers including betting exchanges, where gross profits is defined as gross commission on BHBB deducted from the winnings paid out to bettors and bet-takers.	10.75%	10.75%
Spread betting	2.15%	2.15%
On-course betting	£240	£234
Point-to-Point and/or harness racing and/or trotting events only	£192	£187

In addition to the agreement of the 54th Levy Scheme, the four largest retail bookmakers (William Hill, Ladbrokes, Coral and Betfred) have agreed to underwrite a combined contribution payable through the statutory Levy of not less than £47.5m per year.

## Contributions by the Successor Company to the Horserace Totalisator Board (Betfred)

Following the sale of the Tote, the Betting, Gaming and Lotteries Act 1963, the Horserace Betting Levy Act 1969 and the Horserace Betting and Olympic Lottery Act 2004 were amended. The effect of these changes is that the Board separately negotiates the contributions due from Betfred in respect of its pool betting operations, and Betfred is not subject to the Levy Scheme in respect of these operations. In December 2014 the Levy Board agreed that, in respect of its pool betting operations, Betfred will contribute for the 54th Levy Scheme at 10.75% of gross profit on BHBB as if it were a bookmaker, which is the same rate that was agreed with Betfred for the 53rd Levy period.

## Operating review

### Income

**2014/15: £72.5m**

**2013/14: £78.5m**

The Levy yield for the 53rd Levy Scheme is £60.1m (52nd Levy Scheme: £70.1m). Other income received includes non-statutory contributions totalling £11.8m (2013/14: £7.9m) and against a backdrop of very low interest rates, interest receivable, including loans to racecourses, of £0.6m (2013/14: £0.5m) was generated.

### Expenditure

The accounts presented in this annual report show information for the fiscal year 2014/15, although the Board actually agrees the vast majority of its expenditure allocation on a calendar year basis. Therefore all references to years in this section should be taken to refer to a calendar year, unless otherwise stated.

### Improvement of horseracing

**2015: £77.9m**

**2014: £71.9m**

In addition to the various prize money schemes and payments to racecourses referred to in the Strategic Report, the Board also supports Industry Training, Point-to-Point racing and Great British Racing International.

### Industry Training and Education

The Board continues to be committed to the further development of training and education in the racing and breeding industries, with grants totalling £1.275m in 2015 (2014: £1.214m). Under the auspices of the BHA, the schedule includes stable staff NVQ training plus basic functional skills tuition where needed; industry recruitment and career enhancement; jockey coaching and continuation training; nutritional education; and courses for assistant trainers and head lads. The programme also includes support for

pony racing, for its role as an introduction to race riding, and the highly regarded Racing to School education scheme.

For young people wanting to work in the Thoroughbred breeding industry, the Board supports the National Stud in its provision of specialist training through the internationally respected Diploma Course, the Apprenticeship Programme and the Stud Secretaries' course. The Stud also provides short term work experience for school pupils, college students, veterinary undergraduates and breeders. The 2015 allocation is £184,000 (2014: £180,000).

In 2015 the Board has granted £73,000 (2014: £71,000) to the TBA Education and Employment Scheme, which focuses on providing employer support, promotion of recruitment and careers in the breeding industry and delivery of industry qualifications and professional development.

The Board is actively working with the BHA to devise a meaningful and reliable method of measuring the outcomes of the Industry Training and Education investment with the aim of confirming the effectiveness and relevance of each of the various elements. Reviewing the 2014 experience will form the basis of the 2016 plan.

The Board has been a sponsor of the industry renowned BHA Graduate Programme since its inception over 20 years ago. The programme, intended for graduates or final year degree students, provides a comprehensive introduction to the many organisations and functions in racing, breeding and betting. In 2014 the Board again took a student on placement, with the appointment being extended by several months to allow two valuable research projects to be completed.

The Board is continuing to assist with the initial funding and the development of the new MBA in Thoroughbred Horseracing Industries at Liverpool University, to be launched in 2015.

Based on a traditional MBA structure, the course will include specialist modules directly related to British horseracing.

### **Point-to-point**

Point-to-pointing makes a significant contribution to National Hunt racing, and in recognition of this the Board has continued to support point-to-points with the payment of grants totalling £250,000 in 2015 (2014: £250,000). The new method of fixture payments trialled in 2013, which is similar to the Board's Fixture Incentive Fund for horseracing under the Rules of Racing, has encouraged a reasonable spread of fixtures over the entire season from December through to June. The

Board is working closely with the Point-to-Point Authority to help develop promotional plans for the future.

### **Great British Racing International ('GBRI')**

GBRI, part of the central promotional arm of horseracing, works to encourage and maintain investment from overseas. The Board commits £350,000 per annum to GBRI and the Chief Executive is a member of the GBRI Operating Board.

The table below sets out further details of the Board's 2015 budget and 2014 actual allocation to the Improvement of Horseracing on a calendar year basis:

<b>Improvement of Horseracing</b>	<b>2015 Flat £'000</b>	<b>2015 Jump £'000</b>	<b>2015 Total £'000</b>	<b>2014 Total £'000</b>
General Prize Fund – Racecourse fixtures	20,160	16,164	36,324	35,799
Winter jump	–	601	601	437
Blanket all-weather fixtures	1,647	–	1,647	1,639
BHA twilight fixtures	1,552	–	1,552	1,374
Sunday appearance money	275	460	735	657
British Champions Day	400	–	400	400
Future Champions Day	225	–	225	225
Good Friday Lingfield	126	–	126	126
Race incentive fund	4,569	1,990	6,559	6,525
Saturday handicap fund	–	–	–	53
Racing and betting incentive fund – twilights	–	–	–	90
Racing and betting incentive fund	330	220	550	–
Divided race fund	854	546	1,400	1,258
Breeders prizes	–	400	400	397
BOBIS/Plus 10	1,750	–	1,750	1,453
<b>Sub-total prize money (rounded)</b>	<b>31,887</b>	<b>20,381</b>	<b>52,268</b>	<b>50,433</b>
Additional voluntary contribution fund			<b>4,314</b>	<b>186</b>
<b>Grand total prize money</b>			<b>56,582</b>	<b>50,619</b>
Raceday services grants			<b>16,440</b>	16,439
Fixture incentive fund			<b>3,000</b>	3,077
Industry training and education			<b>1,275</b>	1,214
Point-to-point			<b>250</b>	250
Great British Racing International			<b>350</b>	350
<b>Grand Total – Improvement of horseracing</b>			<b>77,897</b>	<b>71,949</b>

## Other expenditure

### (a) *Advancing veterinary science and education*

2015: £1.8m

2014: £1.8m

Endorsing the recommendations of its Veterinary Advisory Committee (VAC), the Board approved an allocation of £1.8m for 2015, maintaining the 2014 level. The VAC is also again managing new veterinary scientific research investment on behalf of The Racing Foundation, the Thoroughbred Breeders' Association and the British European Breeders Fund.

The current scope for all HBLB research is targeted on:

- Prevention of current and emerging infectious diseases by the development of more effective vaccines, diagnostic tools, biosecurity and management strategies.
- The training environment and racecourse design and surfaces, riding strategies, tack and equipment to enhance the safety, health and well-being of racehorses.
- Methods of identification, management and prevention of musculoskeletal disease and injury in Thoroughbreds
- Male and female reproductive efficiency.

Starting in 2015 will be six new major research projects and three new scholarships intended to attract top calibre veterinary surgeons to equine work. The Small Projects Grants category, launched in 2014, will be funding eight new studies. This fund is reserved for programmes of no longer than a year's duration focusing on specific issues of direct and immediate practical application to the health and wellbeing of the Thoroughbred. The findings of the first year's Small Projects will be available in 2015.

As part of the Board's strategic approach towards surveillance and proactive response to control and minimising the risks of infectious disease, two major rolling programmes at

the Animal Health Trust were reviewed in depth prior to renewal in 2015. The two focus on equine influenza and, with additional funding from racehorse owners and breeders, infectious disease. This work is backed up by the Codes of Practice on infectious disease that are updated and published annually.

The Board wishes to record its appreciation of the significant contribution made by Professor Willie Donachie, who retired in December 2014 after eight years as Chair of the VAC. Professor Donachie was succeeded by Professor Celia Marr. The membership of the Committee is as follows:

Professor Celia Marr BVMS MVM PhD DEIM DipECEIM MRCVS (*Chair*)

Professor Colin Farquharson BSc PhD

Miss Caroline George MRCVS

Professor Peter O'Shaughnessy BSc PhD

Professor Chris Proudman MA Vet MB PhD Cert EO FRCVS RCVS

Professor Stuart Ralston BVM&S MRCVS

Mr Chris Rea BVM&S MRCVS

Professor Falko Steinbach PhD MRCVS

Professor Tom Stout MRCVS

The new Racehorse Health website (<http://racehorsehealth.hblb.org.uk>) provides summaries of recent and current Levy Board funded research on diseases and injuries of the Thoroughbred plus other items of interest.

### (b) *Improvement of breeds of horses*

2015: £115,000

2014: £115,000

The Board supports 11 Societies dedicated to preserving and improving the quality of pure-breeding among Britain's native breeds of horse and pony. Only breeds that are listed by the Rare Breeds Survival Trust are eligible for funding and, for 2015, the New Forest Pony has been added to the Board's list following a significant decline in numbers.

Breed societies use their grants in a variety of ways, such as stallion and mare premiums, youngstock grants, DNA testing or blood typing and Artificial Insemination/semens collection schemes. The Board expects the Societies to actively encourage their members to adhere to the highest standards of disease prevention and management partly in their own interests, but also to reduce risk to the British Thoroughbred herd.

Keen to help the Societies to promote the rare equine breeds, the Board is now making a modest contribution towards the costs of the Rare Breeds Heritage Show. The event, which relies to a great extent on voluntary help, showcases the most vulnerable breeds with demonstrations and competitions.

(c) *Administration costs*  
 2014/15: £1.9m  
 2013/14: £2.2m

The prior year figure includes the one-off costs associated with the move in February 2014 from the office suite in Victoria to a new, smaller and much cheaper office situated at 21 Bloomsbury Street.

The Board strives to provide a highly cost-effective service and comparing the two years, on a like-for-like basis, administration costs in 2014/15 were virtually unchanged on 2013/14 and the lowest in both real and nominal terms for over twenty years.

### **Statement of financial position**

For the year ended 31st March 2015 the Board incurred a deficit of £4.0m, which compares to a surplus in 2013/14 of £2.7m. At 31st March 2015 the Board's reserves were £41.0m, a decrease on 31st March 2014 when reserves were £45.0m. The Board continues to offer loans to racecourses and during the year £7.3m was drawn down by borrowers. The total net present value of loans increased from £8.3m at 31st March 2014 to £10.1m at the year end.

During the year the Board incurred a negative cash flow of £8.7m (2013/14: positive cash flow of £14.8m) and, including all amounts held in interest bearing bank deposit accounts, the year-end cash balance totalled £40.9m (2013/14: £43.1m).

### **Compliance with public sector payment policy**

The Board's policy is to pay all invoices within 30 days of receipt unless a longer payment period has been agreed or the amount billed is in dispute. In the year to 31st March 2015 99% of invoices totalling £1.4m were paid within 30 days of receipt.

### **The Levy Board and the Environment**

The Board is committed to minimising its environmental impact within reasonable financial and other resource limits. Employees are encouraged to recycle paper, cardboard, plastic and glass by using the recycling bins provided in the office.

A full sustainability report has not been included, as organisations occupying less than a total of 1,000m<sup>2</sup> of floor area or with fewer than 250 FTE staff are exempt from providing this information.

## The Certificate and Report of the Comptroller and Auditor General to the Houses Of Parliament

I certify that I have audited the financial statements of the Horserace Betting Levy Board for the year ended 31st March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows, Changes in Reserves; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Board, Accounting Officer and auditor

As explained more fully in the Statement of Responsibilities of Members and the Accounting Officer of the Horserace Betting Levy Board, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether

caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Horserace Betting Levy Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Horserace Betting Levy Board; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Horserace Betting Levy Board's affairs as at 31st March 2015 and of the deficit for the year then ended; and

- the financial statements have been properly prepared in accordance with the Betting, Gaming and Lotteries Act 1963 and Secretary of State directions issued thereunder.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Betting, Gaming and Lotteries Act; and
- the information given in the Chairman's statement; Strategic Report; the Governance Statement; and the Operating Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

**Sir Amyas C E Morse** **6 July 2015**  
**Comptroller and Auditor General**

National Audit Office  
 157-197 Buckingham Palace Road  
 Victoria  
 London  
 SW1W 9SP

## Statement of comprehensive income for the twelve months ended 31st March 2015

	Notes	2015 £000	2014 £000
<b>Income</b>			
Levy income receivable for:			
53rd Levy Scheme (comparative is 52nd Levy Scheme)	2a	60,090	70,102
Previous years' Schemes	2a	13	51
		<b>60,103</b>	<b>70,153</b>
Other income	2a	11,759	7,904
Interest receivable	2a	642	490
<b>Total income</b>		<b>72,504</b>	<b>78,547</b>
<b>Expenditure</b>			
Improvement of horseracing	4a	(73,059)	(72,259)
Other expenditure	4b	(3,466)	(3,566)
<b>Total expenditure</b>		<b>(76,525)</b>	<b>(75,825)</b>
<b>Operating (deficit)/surplus</b>		<b>(4,021)</b>	<b>2,722</b>
Income tax	7	-	-
<b>(Deficit)/surplus for the year</b>		<b>(4,021)</b>	<b>2,722</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(4,021)</b>	<b>2,722</b>

The deficit for the year arose from continuing operations.

The notes on pages 40 to 52 form part of these accounts.

## Statement of financial position as at 31st March 2015

	Notes	2015 £000	2014 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	317	404
Loans	10	6,652	3,389
<b>Total non-current assets</b>		<b>6,969</b>	<b>3,793</b>
<b>Current assets</b>			
Trade and other receivables	9	4,331	5,013
Loans due within one year	10	3,411	4,876
Financial assets	12	14,842	8,272
Cash and cash equivalents	13	26,102	34,841
<b>Total current assets</b>		<b>48,686</b>	<b>53,002</b>
<b>Total assets</b>		<b>55,655</b>	<b>56,795</b>
<b>Current liabilities</b>			
Trade and other payables	14	(14,583)	(11,704)
<b>Total current liabilities</b>		<b>(14,583)</b>	<b>(11,704)</b>
<b>Total assets less total current liabilities</b>		<b>41,072</b>	<b>45,091</b>
<b>Non-current liabilities</b>			
Provisions	15	(60)	(58)
<b>Total non-current liabilities</b>		<b>(60)</b>	<b>(58)</b>
<b>Total net assets</b>		<b>41,012</b>	<b>45,033</b>
<b>Reserves</b>	17	<b>41,012</b>	<b>45,033</b>

These accounts were authorised for issue on the dates shown on the Audit Certificate.

**Paul Lee**  
Chairman  
24th June 2015

**Alan Delmonte**  
Chief Executive and Accounting Officer  
24th June 2015

The notes on pages 40 to 52 form part of these accounts.

## Cash flow statement for the year to 31st March 2015

	Notes	2015 £000	2014 £000
<b>Cash flow from operating activities</b>			
Operating (deficit)/surplus for the year		(4,021)	2,722
<b>Adjustments for:</b>			
Depreciation	5, 8	54	40
Interest receivable		(642)	(490)
Fair value adjustment for loans receivable	4a, 10a	159	(55)
Decrease in trade and other receivables	9	682	2,587
Increase in trade and other payables	14	2,879	3,970
Increase/(Decrease) in provisions	15	2	(66)
<b>Cash consumed by operations</b>		<b>(887)</b>	<b>8,708</b>
Income tax	7	–	–
<b>Net cash flow from operating activities</b>		<b>(887)</b>	<b>8,708</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	8	(11)	(409)
Disposal of property, plant and equipment	8	44	–
Net loans (advanced to)/repaid by racecourses	10a	(1,957)	2,172
Interest and investment earnings		642	490
<b>Net cash flow from investing activities</b>		<b>(1,282)</b>	<b>2,253</b>
<b>Cash flow from financing activities</b>			
Net amounts transferred from financial assets	12	(6,570)	3,838
<b>Net cash flow from financing activities</b>		<b>(6,570)</b>	<b>3,838</b>
<b>Net increase in cash and cash equivalents</b>		<b>(8,739)</b>	<b>14,799</b>
Cash and cash equivalents at 1st April		34,841	20,042
<b>Cash and cash equivalents at 31st March</b>		<b>26,102</b>	<b>34,841</b>

The notes on pages 40 to 52 form part of these accounts.

## Statement of changes in reserves for the year ended 31st March 2015

	Reserves* £000
At 1st April 2014	45,033
<b>Changes in reserves 2015</b>	
Deficit for 2015	(4,021)
<b>Total comprehensive loss for 2015</b>	<b>(4,021)</b>
<b>Balance at 31st March 2015</b>	<b>41,012</b>

\* The Government Financial Reporting Manual (FRM) requires the 'Statement of changes in reserves' to be called the 'Statement of changes in taxpayers' equity', however, the Board, unlike most other non-departmental public bodies, receives no central Government grant-in-aid and no National Lottery funding and therefore it does not consider that the wording required by the FRM appropriately reflects the Board's unique status.

The notes on pages 40 to 52 form part of these accounts.

## NOTES TO THE ACCOUNTS FOR THE YEAR TO 31ST MARCH 2015

### 1. Basis of preparation

The accounts have been prepared on the going concern basis. The accounts are prepared under the historical cost convention, except provisions and loans receivable that are stated at fair value.

The accounts have been prepared in a form as directed by the Secretary of State for Culture, Media and Sport and meet the disclosure and measurement requirements, in so far as they are considered to be applicable to the Board, of the 2014 – 2015 Government Financial Reporting Manual (FReM) issued by HM Treasury.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of the FReM that have a

significant effect on the accounts and estimates with a significant risk of material adjustment in the next year are discussed below.

### Betting, Gaming and Lotteries Act 1963

The statement of comprehensive income is in accordance with the provisions of the above Act (as amended). The Levy income receivable from bookmakers and the contributions from the successor company to the Horserace Totalisator Board are governed by Sections 27 and 30 of the above Act, as amended, respectively.

Specific applications of revenue relate to the following sections of Part 1 of the Act.

Section:

24(1)(a) and 25(2)(d)

Improvement of breeds of horses

24(1)(b) and 25(2)(d)

Advancement or encouragement of veterinary science or veterinary education

24(1)(c) and 25 (2)(d)

Improvement of horseracing

24(2)(a) and 24(6)

Administration

25(2)(c)

Charitable payments

25(2)(d)

Loans granted and investments made

### Accounting developments

The Board did not implement the requirements of any Standards or Interpretations which were in issue and which were not required to be implemented at the year end date. The only Standard relevant to the Board that has been issued by the International Accounting Standards Board but not yet adopted by the Board is IFRS 9 Financial Instruments. IFRS 9

takes effect from 1st January 2018 and will simplify the classification of financial assets for measurement purposes, but is not anticipated to have a significant impact on the financial statements.

There are no other IFRSs in issue, but not yet effective, that are expected to have a significant impact on the Board.

## 2. Accounting policies

A summary of the Board's accounting policies that are material in the context of the accounts is set out below.

### a) Revenue

#### *Levy income*

Receivable from bookmakers, Levy income represents the total amount which it is estimated will be collected in respect of the Levy Scheme for the 53rd Scheme (for the year ended 31st March 2015). In addition Levy income includes the impact, if any, of the minimum guarantee, provided as part of the 53rd Levy Scheme agreement, by Betfred, Gala Coral, Ladbrokes and William Hill, and an amount in respect of adjustments to Levy estimates made in previous years.

#### *Other income*

Other income principally comprises other non-statutory contributions received from bookmakers.

#### *Interest receivable*

Interest income represents interest receivable during the financial year on the financial assets held, cash deposits and loans to racecourses.

### b) Leases

The Board has categorised all leases in accordance with IAS 17 and following this ongoing exercise, all leases held by the Board are classified as operating leases. Payments made under leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

### c) Improvement of horseracing and veterinary grants

Grants payable in respect of the improvement of horseracing and advancements of veterinary science and education can cover a period of more than one year and in some cases the grants may relate to projects of up to four years in duration. Payments are normally made in the period to which they relate and grant expenditure is accounted for on an accrual basis to reflect the usage of grant funds on work carried out. Future commitments that have not been included in expenditure at the Statement of Financial Position date are disclosed in note 19.

### d) Property, plant and equipment

Items of property and equipment are initially recognised at cost. Depreciation is provided on all items of property and equipment to write off the cost, less residual value, by equal monthly instalments over their estimated useful economic lives.

The estimated useful economic lives are as follows:

Short leasehold premises – Over the period of the lease

Furniture and equipment – 36 to 60 months

Property, plant and equipment is stated at depreciated historic cost as a proxy for fair value. All of the Board's assets are short life assets and therefore depreciated historic cost is considered a suitable measure of fair value. A review of property, plant and equipment is undertaken annually to ensure that all items are still in use and that no disposals have taken place.

Annual reviews are also undertaken to identify any impairment of assets as per IAS 36. Any gain or loss arising from the disposal of property, plant and equipment is determined as the difference between the disposal proceeds and the carrying

amount of the asset, and is recognised in the Statement of Comprehensive Income as “Other expenditure” or “Other income.”

**e) Trade and other receivables**

Trade receivables are reflected net of an estimated provision for doubtful accounts. This provision is based primarily on a review of all outstanding accounts and considers the past payment history and creditworthiness of each account and the length of time that the debt has remained unpaid. The actual amounts of debts that ultimately prove irrecoverable could vary from the actual provision made. Trade and other receivables are detailed in note 9.

**f) Discount rates**

Where financial assets or liabilities are required to be presented at amortised cost, these are discounted utilising a suitable discount rate. In 2015, the rates chosen are in line with guidance supplied by HM Treasury.

**g) Financial assets**

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

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

**Fixed term cash deposits:** Fixed term deposits held to maturity in bank accounts with a maturity date that is greater than three months. Since all of these cash deposits are held in interest bearing accounts with duration of no more than twelve months, the effect of the

time value of money is not considered material and so these balances are shown at present value.

**h) Provisions**

A provision is recognised in the statement of financial position when the Board has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. In 2015, the rates chosen are in line with guidance supplied by HM Treasury.

**i) Pension schemes**

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

**j) Segmental reporting**

The Board has determined that it operates in one material segment, which is to collect a statutory levy from the horseracing business of British bookmakers and the Tote successor company which it then distributes for the improvement of horseracing and breeds of horses and for the advancement of veterinary science and education. The Board therefore operates within one geographical segment, Great Britain. The Board has two significant sources of income, being compulsory and voluntary Levy payments from bookmakers, and the segmental reporting reflects the Board’s management and internal reporting structure.

**3. Key sources of estimation uncertainty**

In the application of the Board’s accounting policies, which are described in note 2, the Members and the Accounting Officer are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The key source of estimation uncertainty at the end of the reporting period that has a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is in relation to the estimate of amounts due from/to bookmakers in respect of Levy income. The Levy income is derived from the actual 53rd Levy Scheme Forms of

Declaration received from bookmakers by the date of approval of these annual accounts and management's estimate in respect of the Levy income attributable to the Forms of Declaration yet to be submitted. For the year ended 31st March 2015, the estimated Levy income represented less than 2% of the total Levy income.

#### 4. Expenditure costs

##### 4a. Improvement of horseracing

	2015 £000	2014 £000
<b>Horsemen</b>		
Prize money	46,865	47,367
Prize money for divided races	1,272	1,374
British owners' & breeders' incentive scheme	1,453	1,186
Plus 10	16	–
Breeders' prizes scheme	374	414
Appearance money scheme	642	706
Additional Voluntary Contributions expenditure	879	–
	<b>51,501</b>	<b>51,047</b>
<b>Racecourses</b>		
Fixture incentive scheme	2,996	3,167
Fair value adjustment to racecourse loans	159	(55)
	<b>3,155</b>	<b>3,112</b>
<b>Raceday services</b>		
Raceday services	16,394	16,405
	<b>16,394</b>	<b>16,405</b>
<b>Training</b>		
Industry training	1,394	1,078
	<b>1,394</b>	<b>1,078</b>
<b>Other</b>		
Point-to-point meetings	246	267
Great British Racing International	350	350
Miscellaneous	19	–
	<b>615</b>	<b>617</b>
	<b>73,059</b>	<b>72,259</b>

**4b. Other expenditure**

	<b>2015 £000</b>	<b>2014 £000</b>
Breed societies	111	102
Advancement of veterinary science and education	1,109	1,093
Administration costs	1,852	2,151
Bookmakers' Committee costs	393	219
Charitable payments	1	1
	<b>3,466</b>	<b>3,566</b>

**5. Deficit**

	<b>2015 £000</b>	<b>2014 £000</b>
This has been arrived at after charging:		
Remuneration of Board Members and Chief Executive	262	289
Depreciation	54	40
Operating lease rentals	174	340
Auditors' remuneration:		
– External audit	35	39
– Internal audit and other services	10	6

**6. Staff numbers and costs**

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

	<b>2015 FTE</b>	<b>2014 FTE</b>
Permanent staff	14.6	13.9
Temporary staff	0.5	0.6
	<b>15.1</b>	<b>14.5</b>

The aggregate payroll costs of these persons were:

	<b>2015 £000</b>	<b>2014 £000</b>
Wages and salaries	931	878
Social security	109	97
Pension costs	77	69
Other staff costs	80	95
	<b>1,197</b>	<b>1,139</b>

There were no compulsory or other redundancy payments in 2015 (2014: nil).

## 7. Taxation

The charge for income tax represents tax charged in the accounts of the Board in respect of interest received less grant payments made to charitable bodies. Other revenue and expenditure of the Board is not taxable or tax deductible. There was no tax payable or refundable in the year (2014: £nil).

## Factors affecting the tax charge for the year

The tax assessed for the year is lower than would be expected by multiplying the deficit before taxation by the standard rate of tax payable by corporate entities in the UK of 21% (23% in 2014). The differences are explained below:

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
(Deficit)/surplus for the year before tax	(4,021)	2,722
Income tax expense calculated at 21% (2014: 23%)	(844)	626
Effects of:		
Amounts not subject to taxation	844	(626)
<b>Current tax charge for the year</b>	<b>-</b>	<b>-</b>

**8. Property, plant and equipment**

	Leasehold improvements £000	Furniture and equipment £000	Total £000
<b>Cost:</b>			
At 1st April 2014	365	179	544
Additions	7	4	11
Disposals	(43)	(2)	(45)
<b>At 31st March 2015</b>	<b>329</b>	<b>181</b>	<b>510</b>

<b>Depreciation:</b>			
At 1st April 2014	6	134	140
Charge for the year	37	17	54
Disposals	–	(1)	(1)
<b>At 31st March 2015</b>	<b>43</b>	<b>150</b>	<b>193</b>

<b>Net book value:</b>			
At 31st March 2014	359	45	404
<b>At 31st March 2015</b>	<b>286</b>	<b>31</b>	<b>317</b>

	Leasehold improvements £000	Furniture and equipment £000	Total £000
<b>Cost:</b>			
At 1st April 2013	118	283	401
Additions	365	44	409
Disposals	(118)	(148)	(266)
<b>At 31st March 2014</b>	<b>365</b>	<b>179</b>	<b>544</b>

<b>Depreciation:</b>			
At 1st April 2013	96	270	366
Charge for the year	28	12	40
Disposals	(118)	(148)	(266)
<b>At 31st March 2014</b>	<b>6</b>	<b>134</b>	<b>140</b>

<b>Net book value:</b>			
At 31st March 2013	22	13	35
<b>At 31st March 2014</b>	<b>359</b>	<b>45</b>	<b>404</b>

## 9. Trade and other receivables

	2015 £000	2014 £000
Trade and other receivables	171	46
Amounts due from bookmakers in respect of Levy income	1,017	4,863
Amounts due from bookmakers in respect of non-statutory contributions	2,913	–
Prepayments and accrued income	230	104
	<b>4,331</b>	<b>5,013</b>

All the above amounts are due within one year.

The trade and other receivables total at 31st March 2015 includes an intra-Government balance with Local Authorities of £7,937 (2014: £nil).

## 10. Loans

	2015 £000	2014 £000
<b>Secured:</b>		
Repayable within five years	10,443	8,413
<b>Unsecured:</b>		
Repayable within five years	–	73
<b>Total loans at historic cost</b>	<b>10,443</b>	<b>8,486</b>
Fair value adjustment	(380)	(221)
<b>Total loans at net present value</b>	<b>10,063</b>	<b>8,265</b>
<b>Loans included above due within one year</b>	<b>3,411</b>	<b>4,876</b>
<b>Loans due in more than one year</b>	<b>6,652</b>	<b>3,389</b>

The loans granted prior to 1st April 2012 are interest free. Loans granted after this date attract an interest charge of 4% per annum. At the year end, £10,443,188 of the notional loan balance (2014: £8,413,000) was secured against the racecourse assets of the borrowers.

The loans are stated at net present value. In 2015, the discount rate prescribed by HM Treasury, 2.2%, has been utilised (2014: 2.2%).

### 10a. Loans at net present value: Movement in the year

	2015 £000	2014 £000
Balance at 1st April	8,265	10,382
Loans made to racecourses	7,308	2,911
Loans repaid by racecourses	(5,351)	(5,083)
Fair value adjustment to racecourse loans	(159)	55
<b>Balance at 31st March</b>	<b>10,063</b>	<b>8,265</b>

The fair value adjustment to racecourse loans has been recognised as racecourse expenditure under costs related to the improvement of horseracing (see note 4a). For the purposes of IFRS 13, the Board considers that the fair value of the loans should be determined based on Level 3 inputs (i.e. unobservable inputs), as the racecourse loans are not traded on an observable market. There has been no change in this classification during 2014 or 2015.

## **11. Financial instruments**

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

### *Market risk*

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

### *Liquidity risk*

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

### *Credit risk*

The Board invests surplus cash in term deposits and cash. The Board does not engage in speculative financial transactions and there are strict internal guidelines agreed by the Audit Committee that govern counter-party risk and the investment of funds, which ensure that no more than one-third of cash deposits are invested with any one approved financial institution.

The Board also grants loans to racecourses, usually repayable over 4 years. All loan applications are considered in detail by the Investment Committee, in order to assess the credit worthiness of the applicant racecourse, and any loans that are greater than £200,000 are secured by legal charges against the borrower.

The credit risk associated with the risk of default by a bookmaker failing to meet the obligations under a particular Levy Scheme is not considered material, and this is evidenced by the fact that losses with regard to these trade receivables are historically low.

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, the Board has a contingent liability in the event of the BHA becoming unable to meet its obligations. Further information is shown at Note 20.

In January 2014 the Board executed a guarantee to Weatherbys Bank to underwrite an overdraft facility to be granted in favour of the Home of Horseracing Trust. Accordingly, the Board has a contingent liability in the event of the Home of Horseracing Trust becoming unable to meet its obligations. Further information is shown at Note 20.

## 12. Financial assets

Financial assets comprise fixed term cash deposits that mature in greater than three months. All of these cash deposits are held in interest bearing bank accounts with duration of no more than twelve months, and therefore the effect of the time value of money is not considered material and so these balances have not been amortised and are shown at present value.

	2015 £000	2014 £000
Balance at 1st April	8,272	12,110
Net change in financial assets	6,570	(3,838)
<b>Balance at 31st March</b>	<b>14,842</b>	<b>8,272</b>

## 13. Cash and cash equivalents: Movement in the year

	2015 £000	2014 £000
Balance at 1st April	34,841	20,042
Net change in cash and cash equivalent balances	(8,739)	14,799
<b>Balance at 31st March</b>	<b>26,102</b>	<b>34,841</b>

### 13a. Cash and cash equivalents

	2015 £000	2014 £000
The following balances at 31st March were held at:		
Cash at banks and in hand	14,500	28,789
Bank deposits maturing in less than three months	11,602	6,052
	<b>26,102</b>	<b>34,841</b>

## 14. Current liabilities: Trade and other payables

	2015 £000	2014 £000
Capital credit grants	3,402	6,559
Accruals	4,389	1,959
Amounts due to bookmakers in respect of Levy income	6,470	2,963
Trade and other creditors	285	190
Social security	37	33
	<b>14,583</b>	<b>11,704</b>

Capital credit grants comprise grant payments to racecourses that are allocated for future capital projects but have not been drawn down at 31st March 2015.

The social security total at 31st March 2015 represents an intra-Government balance with Central Government Bodies of £36,231 (2014: £32,824).

### 15. Provisions

A provision was created in 2014 to provide for the costs that the Board will incur in respect of premises dilapidations when the leasehold office property at 21 Bloomsbury Street is vacated at the end of the lease term in 2022. Management's estimate of the cost of work required, discounted in accordance with IAS 37, is £60,000.

In 2015, the discount rate adopted of -1.05% is in line with guidance supplied by HM Treasury for cash flows of between five and ten years (2014: -0.65%). The provisions are analysed as current and non-current as follows:

	2015 £000	2014 £000
Current	-	-
Non-current	60	58
	<b>60</b>	<b>58</b>

### 16. Commitments under operating leases

At 31st March 2015, the Board was committed to making the following payments in respect of operating leases.

	2015 £000	2014 £000
Obligations under operating leases comprise:		
Buildings:		
Within 1 year	188	157
After 1 year but not more than 5 years	703	679
After 5 years	552	763
	<b>1,443</b>	<b>1,599</b>

Subject to serving not less than 12 months' notice and paying a nine month rent penalty, the Board may terminate its office property lease in September 2018. However, in the event that this break option is not exercised, the Board will receive an additional six months rent free.

### 17. Reserves

Reserves represent the cumulative undistributed historic surpluses of the Board.

### 18. Related parties

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

During the year the Board had the following material transactions in which there was a related interest:

- Philip Freedman, a Board Member, is a trustee of the Wavertree Trust which received training grants of £229,000 (2014: £180,000).

As per the restriction in section 28(10) of the Betting, Gaming and Lotteries Act 1963 (as amended), no details of the financial transactions between the Board and any bookmaker can be disclosed.

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

## 19. Other financial commitments

The Board estimates that the future costs to completion, in respect of grants payable for the advancements of veterinary science and education at 31st March 2015, are £3.9m (2014: £3.2m). These grants can cover a period of more than one year and in some cases the grants may relate to projects of up to four years in duration. Practical experience and history has shown that it is very probable that the total, or at least a significant proportion of the total value, of these grants will be drawn down over the life of the project and it is only in exceptional cases that this does not occur. The payments to which the Board is committed as at 31st March 2015, analysed by the period during which the commitment expires, are as follows:

	2015 £000	2014 £000
Within 1 year	2,173	1,675
After 1 year but not more than 5 years	1,682	1,497
<b>Total financial commitments</b>	<b>3,855</b>	<b>3,172</b>

During the year, the Board provisionally approved new loans to racecourses totalling £1.3m (2014: £8.6m).

	2015 £000	2014 £000
Racecourse loans approved by the Board, but not committed	2,000	6,087
Racecourse loans approved by the Board, and committed	5,255	7,040
<b>Racecourse loans financial commitments</b>	<b>7,255</b>	<b>13,127</b>

## 20. Contingent liabilities

### *British Horseracing Authority 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. Following actuarial valuations of the Scheme as at 31st December 2008, the terms of the original agreement between the Board and the BHA were changed by a deed of amendment dated 30th October 2009.

Following the most recent actuarial valuation of the Scheme as at 31st December 2011, a new deed of amendment was agreed, which was signed on 11th December 2012.

Accordingly, the Board has a contingent liability in the event of the BHA becoming unable to meet its obligations and has agreed if such circumstances arise to:

- (a) Meet the entire annual deficit contributions of £1,158,000 during the period ending 31st December 2019 (*2009 agreement: £985,000 per annum*) and £624,000 per annum for the period from 1st January 2020 and ending on 30th September 2024 (*2009 agreement: £nil per annum*);
- (b) Guarantee until the earlier of (i) 31st December 2024 and (ii) the date a future actuarial valuation of the Scheme discloses that there is no longer a past deficit on the basis of the December 2006 Actuarial Assumptions (*2009 agreement: 31st December 2019*) the full Scheme wind-up liabilities; up to a maximum of £30.3m (*2009 agreement: £30.3m*) 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.

The Board no longer has a contingent liability in respect of the BHA's future service contributions to the Scheme (*2009 agreement: up to a maximum of 7% per annum of pensionable salaries*).

#### *Home of Horseracing Trust*

In January 2014 HBLB executed a guarantee to Weatherbys Bank to underwrite a £1.5 million overdraft facility to be granted in favour of the Home of Horseracing Trust. The Trust has been formed with the objective of raising funds for a National Heritage Centre in Newmarket and specifically the restoration of the historic Palace House and Stables site, built by Charles II.

The Board has a contingent liability in the event that the Home of Horseracing Trust becomes unable to repay any sums borrowed through this overdraft facility. The guarantee expires on 31st January 2018.

## **21. Events after the Reporting Period**

Will Roseff, the Member of the Board appointed by the Bookmakers' Committee, who served during the year, left the Board with effect from 1st April 2015. He has been replaced by Mike O'Kane.

These accounts were authorised for issue by the Accounting Officer on the date shown on the audit certificate.

There are no events after the reporting period since this date to note.

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