

British Horseracing Authority Limited

(A Company limited by guarantee)

Directors' report and consolidated
financial statements

Registered number 2813358

31 December 2009

Contents

| | |
|---|----|
| Directors' report | 1 |
| Statement of directors' responsibilities in respect of the Directors' Report and the financial statements | 8 |
| Independent auditors' report to the members of British Horseracing Authority Limited | 9 |
| Consolidated profit and loss account | 11 |
| Company profit and loss account | 12 |
| Consolidated balance sheet | 13 |
| Company balance sheet | 14 |
| Consolidated cash flow statement | 15 |
| Reconciliation of operating profit to net cash flow from operating activities | 15 |
| Consolidated statement of total recognised gains and losses | 16 |
| Notes | 17 |

Directors and advisors

Directors

The current Directors are:

| | |
|--------------|-----------------|
| PD Roy | Chairman |
| NI Coward | Chief Executive |
| RI Renton | |
| MG Gray | |
| DG Gunn | |
| JS Bridgeman | |
| JC McGrath | |
| GB Balding | |

Executives

The current Executives are:

| | |
|-------------|---|
| NI Coward | Chief Executive |
| CA Brand | Director of Finance and Corporate Services |
| RES Quinn | Director of Racing |
| JP Ryan | Director of Communications |
| VAL Goodhew | Director of Raceday Operations and Regulation |
| JP Scotney | Director of Integrity Services and Licensing |
| TH Morris | Director of Equine Science and Welfare |

Registered office

75 High Holborn
London
WC1V 6LS

Bankers

Royal Bank of Scotland
60 Conduit Street
London
W1R 9FD

Auditors

KPMG LLP
PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Directors' report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2009.

Principal activities

The principal activity of British Horseracing Authority Limited ("the Company" or "the Authority") is to be the governing and regulatory authority for horseracing in Great Britain. The principal activity of Racing Enterprises Limited (together with the Company, "the Group") is the commercialisation of the contents of the racing administration database ("Database"), maintained under agreement with the Company on the Group's behalf by Weatherbys Limited, through access and use licence agreements with third parties.

Enhanced business review

As the governing and regulatory authority for British horseracing, the Group's objectives and activities are intended to benefit the wider stakeholders of the sport as a whole. As such, much of the Group's expenditure does not just benefit the Group but is spent in order to benefit the sport.

Aims and objectives

It is the Group's responsibility to promote, regulate and represent the sport. The core roles are the administration of the sport, its fixture list and race programme, raceday regulation, to ensure the highest standards for the sport's participants on and away from the racecourse, to promote the best for the racehorse, and to represent and promote the sport and the industry.

Working alongside others within the sport, the Group looks to build on Britain's reputation for providing the best racing in the world, run to the highest standard of integrity, as efficiently as possible.

The Group works to attract and retain more racehorse owners, racegoers and other customers within the sport, and to attract investment by commercial third parties. It seeks to maintain and promote horseracing as a competitive, quality and attractive sport, as the core of racecourses' event based business activities, and as a betting product. The Group also wishes to see the best possible training and working conditions for those employed in the industry, and the highest possible standards of care for horses.

With others within the sport the Group is working to secure the appropriate, fair and reasonable financial returns to racing from betting, the importance of which to the sport is reflected in the organisation and regulation of the sport as an attractive betting product.

In its drive to ensure that British racing competes internationally with the racing product of other leading racing nations, the Group will aim to secure a competitive prize money framework, as well as world-wide recognition that the British thoroughbred breeding industry produces animals of the highest quality.

In seeking to achieve its objectives, the Company has established the following core values. The Company aims to be:

- Strong – providing leadership and taking tough decisions when they are needed;
- Independent – acting fairly and with integrity in the best interests of racing as a whole;
- Responsive – listening and consulting, making sure we understand issues;
- Challenging – asking hard questions, of ourselves and others;
- Open – having the confidence to explain what we think, and be able to explain why;
- Dynamic – professional, innovative and focused, delivering a quality service.

Directors' report (continued)

Income

The Group has two material sources of income; registration and administration based fee income, and that derived from its commercial subsidiary, Racing Enterprises Limited.

Turnover for the year was £34.1m (2008 :£34.3m). The drop in turnover was due primarily to reduced fee income from owners and publication sales and advertising as the economic downturn affected ownership levels.

Commercial

Since the resolution of a court case between the Company and William Hill in 2005, the Group's ability to exploit the contents of the Database has been severely reduced. However, the Group has continued to contract with third parties to provide access to the original authorised pre-race data included within the Database. Ongoing income has grown in this area and through its authorised suppliers the Group again now supplies pre-race data to the majority of the bookmaking market.

It is the intention that during 2010 the Group will be restructured and this restructure will be the catalyst for driving further revenues from the commercialisation of the Database.

Registration and administration income

The Group generates most of its income from registrations, entry fees and fixture fees, collected on its behalf by Weatherbys Limited.

Differential prices continue to be applied to entry fees depending upon whether the entry is made online or via telephone. This follows practices employed by many other commercial companies and more accurately reflects that each method has a different cost structure.

In monitoring our income the Group reviews the key drivers, namely entry levels, number of owners and number of fixtures. The year on year comparisons of these are shown in the table below.

| | 2009 | 2008 |
|---------------------------|-------------|-------------|
| Entry volumes | 278,308 | 286,723 |
| % of entries made online | 68.6% | 64.8% |
| Total fixtures programmed | 1,490 | 1,503 |
| Total fixtures run | 1,401 | 1,424 |

Source: Management information / Authority Annual Review

Directors' report (continued)

Costs

Excluding the pension adjustments costs shown in note 17 (which decreased by £0.3m), total costs for the year decreased by £0.1m. Splitting the costs between the two companies in the Group, costs of the Authority decreased by £0.8m (£0.5m including pension adjustments), and costs in Racing Enterprises Limited increased by £0.7m.

Costs as a whole, which for the purposes of the financial statements also include pension scheme costs, amounted to £33.7m (2008: £33.5m) for the year ended 31 December 2009. The level of costs was affected by accounting adjustments in relation to the pension scheme, inflationary increases in fixed term supplier contracts, inflationary pressure on salaries and one off costs in relation to the move to our new head office; these final costs will be more than recovered throughout the term of the new lease.

Raceday Regulation and Integrity Services

Financial statements were previously prepared on the basis of distinguishing between regulatory and governance costs. The Group has subsequently determined that these historic allocations are arbitrary and do not reflect the way in which activities and their costs are managed.

The Company reviews this spend during the annual budget process to ensure cost efficient and effective regulation to the highest possible standards. The costs can be split into three distinct areas; costs incurred through doping control programme, costs of regulation on a racecourse and office costs of regulation

Promotion and Communication

The Group has continued to fine tune its objectives and determine appropriate areas of spend in this area. The Group's direct spend in the year on promotion of the sport, excluding staffing costs, was £1.6m (2008: £1.2m), £0.7m within the Company and £0.9m within Racing Enterprises Limited.

A significant proportion of the direct spend has been incurred on 'Racing for Change', an initiative promoted by the Group on behalf of the sport directed at increasing the sport's appeal. This initiative to date has cost £0.9m.

The Group's website, www.britishhorseracing.com, is a comprehensive source of information to those interested in the sport and its organisation and regulation.

| | 2009 | 2008 |
|---|-------------|-------------|
| Total unique users rolling 3 month average | 55,030 | 33,128 |
| Total ticket sales via britishhorseracing.com | £219,747 | £199,041 |
| Total attendances | 5,718,729 | 5,716,656 |

Source: Management information / Authority Annual Review

The Group also strives to ensure recognition for the heroes and champions of the sport. The Group organises and promotes annual awards for trainers, jockeys and horses, and the Stable and Stud staff awards, sponsored by Godolphin. 2009 was the fifth year of these awards and the Group is proud of the high profile achieved by the awards in that time.

Finally, other funds are spent to promote increased awareness of racing, attendance at race meetings, and British bloodstock.

Directors' report (continued)

Recruitment Training and Welfare

Building for racing's future is a core objective of the Group. The recruitment, retention, training and development of staff for racing and the breeding industry is vital to the long term health of the sport. The Group has a small team of staff who co-ordinate the work of many industry groups in this area through setting a mutually agreed industry strategy. The team also runs many industry recruitment and training courses. One is the Graduate Development Programme which brings graduates into racing, some within the Group. In 2009 the programme was expanded to offer more places.

The careersinracing.com website is a key part of Recruitment strategy and advertises all internal vacancies. Raceday for Schools was launched to promote wider understanding of career opportunities and the skills required to work in racing. This interactive web based tool is designed to provide an enterprise education teaching resource for secondary school teachers. In the first three months since launch, response rates have been excellent with over 300 schools registered.

The Directors recognise that the welfare and training of staff working in the industry is vital and have set up a new group to co-ordinate and sponsor welfare and training projects. The Welfare and Training Group chaired by an independent director initiates and co-ordinates work across the sport in this area. The group's remit covers a diverse range of areas, from jockeys' welfare to the five year training plan for the stud and stable staff sector.

Racing

The framework for the sport is the fixture list, which the Group oversees. It is put together to balance the various interests of those in racing. In framing the fixture list, the Group seeks to maximise opportunities for the horse population at all reasonable levels of ability, maintaining the competitiveness of racing and hence its appeal as a mass spectator sport, and produce compelling product for off course betting.

Out of a total of 1,490 (2008: 1,503) fixtures in the published fixture list for 2009, 243 were fixtures (2008: 254) at racecourses who had bid for the right to stage them through an open and transparent auction process. Funds generated through this process are used to provide prize money for races that are considered key in supporting the horse population but which may not attract the number of runners, or generate the betting turnover, to be commercially attractive to stage. In addition, the fixture bidding process provides opportunities for new racecourses to acquire fixtures.

Some of the key metrics monitored by the Group in this area are shown below:

| | 2009 | 2008 |
|--------------------------------------|-------------|-------------|
| Horses in training (monthly average) | 14,669 | 15,321 |
| Average Field Sizes - Flat turf | 10.1 | 10.6 |
| Average Field Sizes - Flat AW | 9.6 | 9.5 |
| Average Field Sizes - Chase | 8.5 | 9.1 |
| Average Field Sizes - Hurdles | 10.9 | 11.7 |
| Average Field Sizes - NHF | 11.7 | 12.8 |
| Total prize money | £110.7m | £106.3m |

Source: Management information / Authority Annual Review

Directors' report (continued)

Equine Science and Welfare

The safety and welfare of horse and rider is a paramount priority for racing. Minimising the risk of injury is an integral part of our commitment to welfare. Using our database for recording and analysing injuries we are able to enquire into any unusual patterns of injuries or incidents that emerge.

A key role has been to monitor, and act upon any outbreaks of infectious diseases among the animal population and liaise with governments and others on appropriate responses.

The Group invests heavily in testing and research and spent £3.7m with Horseracing Forensic Laboratory Sports Science in 2009 (2008: £3.7m). Evidence of work on this area is shown below.

| | 2009 | 2008 |
|------------------------------|--------|--------|
| Runners | 95,996 | 98,457 |
| Samples analysed – horses | 10,514 | 11,037 |
| Positives confirmed - horses | 24 | 16 |
| % samples taken | 10.95% | 11.21% |
| % test positives | 0.23% | 0.14% |

Source: Management information / Authority Annual Review

Finance and Corporate Services

The make-up of the Group's central costs in 2009 is not significantly different to that in 2008. One large area of cost continues to be spent on external legal and professional services, although in 2009 these have been reduced by £0.4m by seconding in external resource. The move by the Group to new offices in 2009 has enabled the Group to take advantage of favourable market conditions in the London rental arena, providing a sensible cost base for the Group's office requirements going forward. The move will deliver savings of over £1m across the next 5 years.

Principal risks and uncertainties

The Group's principal risks and uncertainties arise through catastrophic events (such as disease or regulatory impact), a significant reduction in the level of the Horserace Betting Levy ('Levy') return to the sport or income from other betting related sources such as the Horserace Totalisator Board ('The Tote'), or through a significant downturn in the relevant economic activity or the economy generally.

The Group has considered and adopted plans in relation to each. Disease is being addressed as discussed above. Betting related revenue is discussed in future developments below. With respect to the current significant downturn in the economy, the Group is continuing to monitor the impact this has on racecourse attendances, and the level of racehorse owners. Some allowance for reduced fee income in 2010 has been made within the Group budget, with budgeted costs reduced accordingly to ensure a break even position.

Future developments

The Group will be working with government, the Horserace Betting Levy Board and representative bodies under a process to establish a fair and reasonable return to racing from betting through the Levy, and working more generally through Racing for Change to seek to optimise returns to the sport.

Directors' report *(continued)*

Members

The members of the Company are:

- Racecourse Association Limited
- Racehorse Owners Association Limited
- Thoroughbred Breeders Association
- The Licensed Personnel Member

The Licensed Personnel Member is jointly the National Trainers Federation, Professional Jockeys Association, and National Association of Stable Staff.

Political and charitable donations

During the year the Group donated £16,440 (*2008: £17,150*) to charities related to horseracing.

During the year the Group made no political donations (*2008: £nil*).

Directors

The current Directors of the Group are listed at the front of this report and repeated in note 3. There were no changes to the Board of Directors throughout the year.

During the year the Group maintained insurance to indemnify Directors and officers against liabilities incurred in relation to their duties as Directors and officers of the Group.

Dividends and transfers to reserves

The profit for the year of £0.5m (*2008: £1.5m*) will be transferred to the Group's reserves. The Group is not permitted under its Memorandum of Association to pay dividends.

Corporate governance

Although the Group is not listed, the Directors, mindful of the Group's position as the governing and regulatory body for horseracing in Great Britain, have sought to comply in all material respects with the applicable principles of good corporate governance, having regard to the nature of the Board's activities and its constitution.

Examples of the Board's corporate governance include:

- a separate Chairman and Chief Executive;
- a fully independent board with no representative members;
- laid down procedures;
- a Nominations and Remuneration Committee;
- an Audit Committee;
- the use of clearly defined authorities for all expenditure;
- adherence to the principles of better regulation and regular independent scrutiny of compliance;
- an annual conference;
- formal consultation processes with stakeholders on all matters of regulation and governance;
- a directors' code of practice adopted by the Board;
- regular monitoring by the Board of Directors; and
- a Chairman's Committee, comprising representatives of members which meets regularly with the Chairman and Chief Executive to consider significant strategic issues for the industry as a whole as well as the Group's activities.

Directors' report *(continued)*

In particular, the Directors have developed and maintained an effective system of internal control over the financial management of the Group, to provide reasonable assurance that its assets are safeguarded and that proper accounting records are kept. The systems, which are kept under review, include comprehensive budgeting systems with an annual budget approved by the Board and the regular consideration of actual results compared with budgets and forecasts.

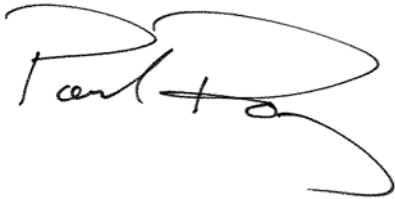
Statement as to disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he / she ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'PD Roy', with a large, stylized flourish extending from the end of the signature.

PD Roy
Chairman

13 April 2010
75 High Holborn
London
WC1V 6LS

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP
8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of British Horseracing Authority Limited

We have audited the group and parent company financial statements (the "financial statements") of British Horseracing Authority Limited for the year ended 31 December 2009 set out on pages 11-37. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and parent company's affairs as at 31 December 2009 and of the group's and parent company's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditors' report to the members of British Horseracing Authority Limited
(continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Richard Bawden (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

19 April 2010

Consolidated profit and loss account
for the year ended 31 December 2009

| | <i>Note</i> | 2009 £000 | 2008 £000 |
|--|-------------|----------------------------|--------------|
| Group turnover | 2 | 34,080 | 34,299 |
| Administrative expenses | | (33,653) | (33,533) |
| Operating profit | | 427 | 766 |
| Share of operating losses in joint ventures | 11 | - | - |
| Total operating profit | | 427 | 766 |
| Other interest receivable and similar income | 6 | 164 | 604 |
| Interest payable and similar charges | 7 | (2) | - |
| Other finance (costs) / income | 8 | (174) | 276 |
| Profit on ordinary activities before taxation | 5 | 415 | 1,646 |
| Taxation on profit on ordinary activities | 9 | 47 | (110) |
| Profit after taxation and retained for the financial year | 16 | 462 | 1,536 |

There is no difference between the result on ordinary activities before taxation and the result for the financial year stated above, and their historical cost equivalents.

The results in the above profit and loss account relate entirely to continuing operations.

Company profit and loss account
for the year ended 31 December 2009

| | <i>Note</i> | 2009 £000 | 2008 £000 |
|--|-------------|----------------------------|--------------|
| Turnover | 2 | 33,227 | 33,971 |
| Administrative expenses | | (32,400) | (32,854) |
| Operating profit | | 827 | 1,117 |
| Other interest receivable and similar income | 6 | 53 | 369 |
| Other finance (costs) / income | 8 | (174) | 276 |
| Profit on ordinary activities before taxation | | 706 | 1,762 |
| Taxation on profit on ordinary activities | 9 | (18) | (82) |
| Profit after taxation and retained for the financial year | 16 | 688 | 1,680 |

There is no difference between the result on ordinary activities before taxation and the result for the financial year stated above, and their historical cost equivalents.

The results in the above profit and loss account relate entirely to continuing operations.

Consolidated balance sheet
at 31 December 2009

| | Note | 2009 £000 | £000 | 2008 (restated – note 13) £000 | £000 |
|--|------|--------------|---------|-----------------------------------|---------|
| Fixed assets | | | | | |
| Tangible assets | 10 | | 2,262 | | 1,565 |
| Investments | 11 | | - | | - |
| | | | <hr/> | | <hr/> |
| | | | 2,262 | | 1,565 |
| Current assets | | | | | |
| Debtors | 12 | 3,982 | | 5,226 | |
| Short-term deposits | | - | | 7,000 | |
| Cash at bank and in hand | 13 | 11,589 | | 6,285 | |
| | | <hr/> | | <hr/> | |
| | | 15,571 | | 18,511 | |
| Creditors: amounts falling due within one year | 14 | (7,994) | | (9,701) | |
| | | <hr/> | | <hr/> | |
| Net current assets | | | 7,577 | | 8,810 |
| | | | <hr/> | | <hr/> |
| Total assets less current liabilities | | | 9,839 | | 10,375 |
| Provisions for liabilities and charges | 15 | | - | | (254) |
| | | | <hr/> | | <hr/> |
| Net assets excluding pension liability | | | 9,839 | | 10,121 |
| Pension liability | 17 | | (6,978) | | (6,976) |
| | | | <hr/> | | <hr/> |
| Net assets including pension liability | | | 2,861 | | 3,145 |
| | | | <hr/> | | <hr/> |
| Capital and reserves | | | | | |
| Capital reserve | 16 | | 19 | | 19 |
| Profit and loss account | 16 | | 2,842 | | 3,126 |
| | | | <hr/> | | <hr/> |
| | | | 2,861 | | 3,145 |
| | | | <hr/> | | <hr/> |

These financial statements were approved by the board of Directors on 13 April 2010 and were signed on its behalf by:

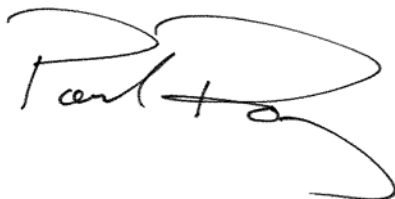


PD Roy
Chairman

Company balance sheet
at 31 December 2009

| | Note | 2009 | | 2008 (restated – note 13) | |
|--|------|---------|----------------|---------------------------|----------------|
| | | £000 | £000 | £000 | £000 |
| Fixed assets | | | | | |
| Tangible assets | 10 | | 2,262 | | 1,565 |
| Investments | 11 | | 50 | | 50 |
| | | | <u>2,312</u> | | <u>1,615</u> |
| Current assets | | | | | |
| Debtors | 12 | 3,691 | | 5,153 | |
| Short-term deposits | | - | | 3,000 | |
| Cash at bank and in hand | 13 | 7,027 | | 5,346 | |
| | | | <u>10,718</u> | <u>13,499</u> | |
| Creditors: amounts falling due within one year | 14 | (7,501) | | (9,275) | |
| | | | <u>3,217</u> | | <u>4,224</u> |
| Total assets less current liabilities | | | <u>5,529</u> | | <u>5,839</u> |
| Provisions for liabilities and charges | 15 | | - | | (254) |
| | | | <u>5,529</u> | | <u>5,585</u> |
| Net assets excluding pension liability | | | <u>(6,978)</u> | | <u>(6,976)</u> |
| Pension liability | 17 | | | | |
| | | | <u>(1,449)</u> | | <u>(1,391)</u> |
| Net liabilities including pension liability | | | <u>(1,449)</u> | | <u>(1,391)</u> |
| Capital and reserves | | | | | |
| Capital reserve | 16 | | 19 | | 19 |
| Profit and loss account | 16 | | (1,468) | | (1,410) |
| | | | <u>(1,449)</u> | | <u>(1,391)</u> |

These financial statements were approved by the board of Directors on 13 April 2010 and were signed on its behalf by:



PD Roy
Chairman

Consolidated cash flow statement

for the year ended 31 December 2009

| | Note | 2009 £000 | 2008 £000 |
|---|------|--------------|--------------|
| Net cash inflow from operating activities | | 317 | 1,607 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 164 | 582 |
| Taxation | | | |
| Corporation tax paid | | (648) | (371) |
| Corporation tax reclaimed in respect of prior periods | | - | 595 |
| Capital expenditure | | | |
| Payments to acquire tangible fixed assets | | (1,529) | (879) |
| | | ----- | ----- |
| Cash (outflow) / inflow before management of liquid resources | | (1,696) | 1,534 |
| Management of liquid resources | | | |
| Cash withdrawn from / (paid into) money market deposit | | 7,000 | (2,391) |
| | | ----- | ----- |
| Increase / (decrease) in cash | 20 | 5,304 | (857) |
| | | ===== | ===== |

Reconciliation of operating profit to net cash flow from operating activities

for the year ended 31 December 2009

| | 2009 £000 | 2008 £000 |
|--|--------------|--------------|
| Operating profit | 427 | 766 |
| Depreciation charges | 770 | 662 |
| Foreign exchange (losses) / gains | (2) | 22 |
| Loss on sale of fixed asset | 62 | 1 |
| Decrease in debtors | 1,577 | 486 |
| Decrease in pension liability | (918) | (718) |
| (Decrease) / Increase in creditors | (1,599) | 388 |
| | ----- | ----- |
| Net cash inflow from operating activities | 317 | 1,607 |
| | ===== | ===== |

Consolidated statement of total recognised gains and losses

for the year ended 31 December 2009

| | 2009 £000 | 2008 £000 |
|---|----------------------------|--------------|
| Profit for the financial year | 462 | 1,536 |
| Actuarial loss recognised in the pension scheme | (746) | (5,620) |
| Total recognised gains and losses relating to the financial year | (284) | (4,084) |

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 1 to 5.

The directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost accounting convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertaking made up to 31 December 2009. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control. The Group's share of the profits less losses of joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is provided so as to write off the cost of tangible fixed assets on a straight line basis over the estimated useful economic lives of the assets concerned. The rates of depreciation are as follows:

| | | |
|--|---|-----------|
| Fixtures fittings and office equipment | - | 3-5 years |
| Leasehold improvements | - | 3-6 years |

Notes (continued)

1 Accounting policies (continued)

Intangible assets

The Group holds the database right in the Database of pre-race data. This is an internally generated asset, and the Group grants licences to third parties to use this pre-race data in return for licence income. In accordance with FRS 10 'Goodwill and Intangible Assets', no amounts have been capitalised in the balance sheet in respect of these rights. The cost of generating the pre-race data is written off to the profit and loss account as incurred.

Fixed asset investments

Fixed asset investments in joint ventures and subsidiaries are held at cost less any provision for impairment in the financial statements of the Company.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Turnover

Turnover, which excludes Value Added Tax, represents the invoiced value of goods and services supplied in connection with the administration of horseracing in Great Britain. The Group recognises income and costs based on the substance of the transaction and income is recognised in the financial statements of the Company when invoiced.

In addition, included within Group turnover are amounts (excluding Value Added Tax) derived from income from signed licence agreements. The licence income streams derived by the Group are recognised on an accruals basis.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

1 Accounting policies (continued)

Related party disclosure

FRS 8 'Related Party Disclosures' requires the disclosure of the details of material transactions between the Group and any related parties, as defined. Details of material related party transactions are included in note 21 to the financial statements.

The Company has taken advantage of the exemption within FRS 8 and has therefore not disclosed transactions or balances with its wholly owned subsidiary.

Operating leases

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

Pension scheme

From 1 August 2007, the Company became principal employer for a pension scheme of which until then it had been a participating employer. Employees of the Company belong to either the defined benefit section or the defined contribution section of the pension scheme operated by the Company, which was operated previously by the Jockey Club. The assets of the pension scheme are held separately from those of the Company. The amount charged to the profit and loss account represents contributions payable to the pension scheme in respect of the accounting period and finance costs. Amounts are also recognised in the statement of total recognised gains and losses in respect of the actuarial gain or loss.

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the pension scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses. A breakdown is disclosed in note 17.

Prior to 1 August 2007, within the defined benefit section, the Company was unable to identify its share of the underlying assets and liabilities of the pension scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounted for the scheme as if it were a defined contribution scheme. Within the defined contribution section contributions are charged to the profit and loss account as incurred. Further disclosure, including details of the guarantee provided to the pension scheme's trustees by the Horserace Betting Levy Board, is included in note 17.

Notes (continued)

2 Segmental information – Group and Company

| | BHA Racing administration 2009 £000 | REL Data licensing 2009 £000 | Total 2009 £000 |
|---|--|---|--------------------------------|
| Turnover | | | |
| United Kingdom and Republic of Ireland | 33,143 | 906 | 34,049 |
| Overseas | - | 31 | 31 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| Total sales - Group | 33,143 | 937 | 34,080 |
| Intra group revenue | 84 | - | - |
| Total Sales - Company | 33,227 | - | - |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| Total operating profit / (loss) before interest and taxation | 827 | (400) | 427 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| Net (liabilities) / assets | (1,449) | 4,310 | 2,861 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| | Racing administration 2008 £000 | Data licensing 2008 £000 | Total 2008 £000 |
| Turnover | | | |
| United Kingdom and Republic of Ireland | 33,505 | 766 | 34,271 |
| Overseas | - | 28 | 28 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| Total sales | 33,505 | 794 | 34,299 |
| Intra group revenue | 465 | - | - |
| Total Sales - Company | 33,971 | - | - |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| Total operating profit before interest and taxation | 1,117 | (351) | 766 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| Net (liabilities) / assets | (1,391) | 4,536 | 3,145 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

The Group has two classes of business, data licensing and racing administration, both of which originate in the UK. Turnover is divided between two geographical destinations, and is all generated through third parties. It is not possible to split the profit before interest and taxation or the net assets by geographical destination.

Notes (continued)

3 Remuneration of directors

The remuneration payable to each of the Directors of British Horseracing Authority Limited for the year ended 31 December 2009 was:

| | 2009 | 2008 |
|--------------|-------------|-------------|
| | £000 | £000 |
| PD Roy | 100 | 100 |
| NI Coward | 286 | 315 |
| RI Renton | 20 | 20 |
| MG Gray | 20 | 20 |
| DG Gunn | 35 | 35 |
| JS Bridgeman | 31 | 60 |
| JC McGrath | 20 | 20 |
| GB Balding | 20 | 20 |
| | <hr/> | <hr/> |
| Total | 532 | 590 |
| | <hr/> <hr/> | <hr/> <hr/> |

The above includes amounts of £40,000 (2008: £60,000) paid to third parties in respect of them making available the services of JC McGrath, MG Gray, RI Renton.

| | Number of directors | |
|--|----------------------------|------|
| | 2009 | 2008 |
| Retirement benefits are accruing to the following number of directors under: | | |
| Money purchase schemes | 1 | 1 |

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £285,000 (2008: £315,000), and Company pension contributions of £12,000 (2008: £12,000) were made to a money purchase scheme on his behalf.

Notes (continued)

4 Employee information

The average weekly number of persons on an effective full time basis (including Directors and excluding casual workers) employed by the Group during the year was 208 (2008: 207).

The aggregate payroll costs of these persons (including casual workers) were as follows:

| | 2009 | 2008 |
|-----------------------|---------------|--------|
| | £000 | £000 |
| Wages and salaries | 9,812 | 9,423 |
| Social security costs | 975 | 925 |
| Pension costs | 598 | 544 |
| | 11,385 | 10,892 |
| | 11,385 | 10,892 |

5 Profit on ordinary activities before taxation – Group and Company

| | 2009 | 2008 |
|---|---------------|--------|
| | £000 | £000 |
| <i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i> | | |
| Depreciation charge for the year: | | |
| Tangible owned fixed assets | 770 | 662 |
| Loss on disposal of fixed assets | 62 | - |
| Operating leases: | | |
| Office rentals | 861 | 684 |
| Car leases | 402 | 464 |
| Net foreign exchange (gains) / losses | 2 | (22) |
| Auditors' remuneration: | | |
| Audit of these financial statements | 41 | 45 |
| Amounts receivable by auditors and their associates in respect of: | | |
| Audit of financial statements of subsidiaries pursuant to legislation | 7 | 5 |
| Other services relating to taxation | 167 | 91 |
| All other services | 4 | 20 |
| | 11,385 | 10,892 |
| | 11,385 | 10,892 |

Notes (continued)

6 Other interest receivable and similar income - Group

| | 2009 | 2008 |
|------------------------|--------------------------|-------------------|
| | £000 | £000 |
| Bank interest | 164 | 582 |
| Foreign exchange gains | - | 22 |
| | <u>164</u> | <u>604</u> |
| | <u><u>164</u></u> | <u><u>604</u></u> |

Other interest receivable and similar income - Company

| | 2009 | 2008 |
|---------------|-------------------------|-------------------|
| | £000 | £000 |
| Bank interest | 53 | 369 |
| | <u>53</u> | <u>369</u> |
| | <u><u>53</u></u> | <u><u>369</u></u> |

7 Interest payable and similar charges - Group

| | 2009 | 2008 |
|-------------------------|------------------------|-----------------|
| | £000 | £000 |
| Foreign exchange losses | 2 | - |
| | <u>2</u> | <u>-</u> |
| | <u><u>2</u></u> | <u><u>-</u></u> |

8 Other finance (costs) / income – Group and Company

| | 2009 | 2008 |
|--|----------------------------|-------------------|
| | £000 | £000 |
| Expected return on pension scheme assets | 2,221 | 2,665 |
| Interest on pension scheme liabilities | (2,395) | (2,389) |
| | <u>(174)</u> | <u>276</u> |
| | <u><u>(174)</u></u> | <u><u>276</u></u> |

Notes (continued)

9 Taxation on profit on ordinary activities - Group

| | 2009 | 2008 |
|--|--------------|-------------|
| | £000 | £000 |
| UK corporation tax at 28% (2008:28.5%) | | |
| Current - tax on profit for current period | 324 | 214 |
| - Adjustment in respect of prior periods | (117) | (52) |
| | <hr/> | <hr/> |
| Total current tax charge | 207 | 162 |
| Deferred tax | | |
| Accelerated capital allowances (see note 15) | 4 | (52) |
| Release of rollover relief provision | (252) | - |
| Adjustment in respect of prior years | (6) | - |
| | <hr/> | <hr/> |
| Total deferred tax (credit) / charge | (254) | (52) |
| Total tax (credit) / charge | (47) | 110 |
| | <hr/> <hr/> | <hr/> <hr/> |

There is no tax charge in respect of the joint venture.

The current tax charge for the year differs from the standard rate of corporation tax in the UK of 28% (2008: 28.5%). The difference is explained below.

| | 2009 | 2008 |
|---|--------------|-------------|
| | £000 | £000 |
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 415 | 1,646 |
| | <hr/> | <hr/> |
| Current tax at 28% (2008:28.5%) | 116 | 469 |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | 114 | 117 |
| Pension costs not immediately deductible | (208) | (283) |
| Adjustment in respect of prior years | (117) | (52) |
| Capital allowances less than depreciation | 50 | 52 |
| Other timing differences | 252 | (141) |
| | <hr/> | <hr/> |
| Total current tax charge (see above) | 207 | 162 |
| | <hr/> <hr/> | <hr/> <hr/> |

Factors that may affect future tax charges:

No deferred tax asset has been recognised on either the Group's pension scheme liability, the pension payments not deductible until future years or the accelerated capital allowances. This is due to the uncertainty of there being sufficient taxable profits in future years to enable such tax deductions to be claimed.

Notes (continued)

9 Taxation on profit on ordinary activities - Company

| | 2009 | 2008 |
|--|--------------|-------------|
| | £000 | £000 |
| UK corporation tax at 28% (2008:28.5%) | | |
| Current - tax on profit for current period | 392 | 134 |
| - Adjustment in respect of prior periods | (120) | - |
| | <hr/> | <hr/> |
| Total current tax charge | 272 | 134 |
| Deferred tax | | |
| Accelerated capital allowances (see note 15) | 4 | (52) |
| Release of rollover relief provision | (252) | - |
| Adjustment in respect of prior years | (6) | - |
| | <hr/> | <hr/> |
| Total deferred tax credit | (254) | (52) |
| Total tax charge | 18 | 82 |
| | <hr/> <hr/> | <hr/> <hr/> |

There is no tax charge in respect of the joint venture.

The current tax charge for the year differs from the standard rate of corporation tax in the UK of 28% (2008: 28.5%). The difference is explained below.

| | 2009 | 2008 |
|---|--------------|-------------|
| | £000 | £000 |
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 706 | 1,762 |
| | <hr/> | <hr/> |
| Current tax at 28% (2008:28.5%) | 198 | 502 |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | 100 | 117 |
| Pension costs not immediately deductible | (208) | (283) |
| Adjustment in respect of prior years | (120) | - |
| Capital allowances less than depreciation | 50 | 52 |
| Other timing differences | 252 | (254) |
| | <hr/> | <hr/> |
| Total current tax charge (see above) | 272 | 134 |
| | <hr/> <hr/> | <hr/> <hr/> |

Factors that may affect future tax charges:

No deferred tax asset has been recognised on either the Company's pension scheme liability, the pension payments not deductible until future years or the accelerated capital allowances. This is due to the uncertainty of there being sufficient taxable profits in future years to enable such tax deductions to be claimed.

Notes (continued)

10 Tangible fixed assets – Group and Company

| | Leasehold improvements £000 | Fixtures, fittings and office equipment £000 | Total £000 |
|----------------------------|-----------------------------------|--|---------------|
| Cost | | | |
| At 1 January 2009 | 980 | 2,399 | 3,379 |
| Additions | 1,004 | 525 | 1,529 |
| Disposals | (980) | (431) | (1,411) |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2009 | 1,004 | 2,493 | 3,497 |
| | <hr/> | <hr/> | <hr/> |
| Depreciation | | | |
| At 1 January 2009 | 849 | 965 | 1,814 |
| Charge for the year | 238 | 532 | 770 |
| Disposals | (975) | (374) | (1,349) |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2009 | 112 | 1,123 | 1,235 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 31 December 2009 | 892 | 1,370 | 2,262 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| At 1 January 2009 | 131 | 1,434 | 1,565 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

11 Fixed asset investments - Company

| | Shares in Joint Venture | Shares in Group Undertakings | Total |
|----------------------------|----------------------------|------------------------------------|-----------|
| | £000 | £000 | £000 |
| Cost | | | |
| At 1 January 2009 | 100 | 50 | 150 |
| At 31 December 2009 | 100 | 50 | 150 |
| Provision | | | |
| At 1 January 2009 | 100 | - | 100 |
| Movement in the year | - | - | - |
| At 31 December 2009 | 100 | - | 100 |
| Net book value | | | |
| At 31 December 2009 | - | 50 | 50 |
| At 1 January 2009 | - | 50 | 50 |

Fixed asset investments – Group

| | Investment in Joint Venture £000 |
|-----------------------------------|---|
| At 1 January 2009 | - |
| Group's share of operating losses | - |
| At 31 December 2009 | - |

On 22 May 2002, Racing Enterprises Limited (formerly BHB Enterprises Limited) was incorporated in England and Wales and the Company acquired 50,000 £1 ordinary shares at nominal value, representing a 100% shareholding. Racing Enterprises Limited's principal activity is the commercialisation of the contents of the Racing Administration database through access and use licence agreements with third parties.

On 28 May 2002, the Company acquired a 50% (£100,000) interest in the ordinary shares of Equine Genetics Research Limited. Equine Genetics Research Limited is a company registered in England and Wales and its principal activity is research into the genetic make up of horses. The provision of £100,000 represents the Company's share of losses that the joint venture has incurred since 28 May 2002.

Notes (continued)

12 Debtors: amounts falling due within one year (restated - see note 13)

| | Group | | Company | |
|------------------------------------|--------------------------|-------------------|--------------------------|-------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | £000 | £000 | £000 | £000 |
| Trade debtors | 1,502 | 2,163 | 1,278 | 1,983 |
| Amounts owed by group undertakings | - | - | - | 118 |
| Corporation tax asset | 333 | - | 266 | - |
| Other debtors | 1,726 | 2,498 | 1,726 | 2,498 |
| Prepayments and accrued income | 421 | 565 | 421 | 554 |
| | <hr/> 3,982 <hr/> | <hr/> 5,226 <hr/> | <hr/> 3,691 <hr/> | <hr/> 5,153 <hr/> |

13 Cash (restated)

The 2008 balances for cash and trade debtors have been restated to move into cash £1,626,000 relating to a bank balance that was previously not considered by the directors to be under the control of the group.

Included within the cash balance at 31 December 2009 are: a balance of £389,000 (2008: £746,000) relating to Early Closing Monies which are held by the Authority until the appropriate race is run, at which time they are paid as prize money; a balance of £386,000 (2008: £363,000) relating to monies received for use in the following year's Development Fund; and a balance of £20,000 (2008: £nil) relating to On Course Physiotherapists. All of these funds are ring fenced and are not used for the normal course of business.

14 Creditors: amounts falling due within one year

| | Group | | Company | |
|--|--------------------------|-------------------|--------------------------|-------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | £000 | £000 | £000 | £000 |
| Trade creditors | 1,797 | 1,842 | 1,506 | 1,699 |
| Amount owed to group undertakings | - | - | 97 | 69 |
| Early closing races and development fund | 775 | 1,109 | 775 | 1,109 |
| Current corporation tax | - | 108 | - | 29 |
| Other taxes and social security | 487 | 1,132 | 482 | 1,055 |
| Other creditors | 4,406 | 4,835 | 4,162 | 4,835 |
| Accruals and deferred income | 529 | 675 | 479 | 479 |
| | <hr/> 7,994 <hr/> | <hr/> 9,701 <hr/> | <hr/> 7,501 <hr/> | <hr/> 9,275 <hr/> |

Notes (continued)

15 Provisions for liabilities and charges – Group and Company

| | Deferred tax £000 | Total £000 |
|----------------------------|-------------------------|---------------|
| At 1 January 2009 | 254 | 254 |
| Release for the year | (254) | (254) |
| | <hr/> | <hr/> |
| At 31 December 2009 | - | - |
| | <hr/> <hr/> | <hr/> <hr/> |

The elements of deferred taxation are as follows:

| | 2009 £000 | 2008 £000 |
|---|--------------|--------------|
| Difference between accumulated depreciation and amortisation and capital allowances | - | (16) |
| Other timing differences | - | 270 |
| | <hr/> | <hr/> |
| Deferred tax liability | - | 254 |
| | <hr/> <hr/> | <hr/> <hr/> |

16 Reserves - Group

| | Capital reserve £000 | Profit and loss account £000 | Total £000 |
|---|----------------------------|------------------------------------|---------------|
| At 1 January 2009 | 19 | 3,126 | 3,145 |
| Profit for the financial year | - | 462 | 462 |
| Actuarial loss recognised in the pension scheme | - | (746) | (746) |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2009 | 19 | 2,842 | 2,861 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Reserves - Company

| | Capital Reserve £000 | Profit and loss account £000 | Total £000 |
|---|----------------------------|------------------------------------|----------------|
| At 1 January 2009 | 19 | (1,410) | (1,391) |
| Profit for the financial year | - | 688 | 688 |
| Actuarial loss recognised in the pension scheme | - | (746) | (746) |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2009 | 19 | (1,468) | (1,449) |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

17 Pension scheme

Prior to 31 July 2007 the Company did not itself operate a pension scheme. Employees of the Company belong to either: (i) The Jockey Club Pension Fund and Life Assurance Scheme ('the Scheme'), a defined benefit scheme operated until 1 August 2007 by The Jockey Club now operated by the Company and now called the British Horseracing Authority Pension Scheme, or (ii) a money purchase scheme also operated until 1 August 2007 by The Jockey Club, now operated by the Company. Within the Scheme, up until 1 August 2007 the Company was unable to identify its share of the underlying assets and liabilities and in accordance with FRS 17 the contributions to the Scheme were accounted for as if it were a defined contribution scheme.

From 1 August 2007 the Company became the principal employer of the Scheme and from this date has operated the Scheme which provides benefits based on career average revalued earnings.

The latest full actuarial valuation was carried out at 31 December 2008 and was updated for FRS 17 purposes to 31 December 2009 by a qualified independent actuary.

It has been agreed that a contribution rate of 12.1% of pensionable pay will apply, split between the Company and the employees on a basis as determined by the Company. This rate has been set until the next valuation. The Company expects to contribute £1.3m in 2010 towards this pension plan of which £0.98m relates to the pension deficit. In addition the Employer meets the costs of administering the Scheme, the cost of lump sum death in service insurance premiums and Levies payable by the Scheme.

The revised contribution rates, with effect from 1 January 2010, were certified by the Scheme Actuary as being adequate to eliminate the deficit over a 10 year period.

| | Value at 31 December 2009 £000 | Value at 31 December 2008 £000 |
|---|---|--|
| Present value of funded defined benefit obligations | (44,940) | (43,217) |
| Fair value of plan assets | 37,962 | 36,241 |
| | <hr/> | <hr/> |
| Deficit | (6,978) | (6,976) |
| Related deferred tax asset | - | - |
| | <hr/> | <hr/> |
| Net pension liability | (6,978) | (6,976) |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

17 Pension scheme (continued)

Movements in present value of defined benefit obligation:

| | Value at 31 December 2009 £000 | Value at 31 December 2008 £000 |
|--|---|---|
| At start of year / period | 43,217 | 43,750 |
| Current service cost | 172 | 452 |
| Interest cost | 2,395 | 2,389 |
| Actuarial losses / (gains) | 159 | (2,307) |
| Contributions by Members and Age Related Rebates | 458 | 240 |
| Benefits paid | (1,461) | (1,307) |
| | <hr/> | <hr/> |
| At end of year / period | 44,940 | 43,217 |
| | <hr/> <hr/> | <hr/> <hr/> |

Movements in fair value of plan assets:

| | Value at 31 December 2009 £000 | Value at 31 December 2008 £000 |
|--|---|---|
| At start of year / period | 36,241 | 41,400 |
| Expected return on plan assets | 2,221 | 2,665 |
| Actuarial gains / (losses) | (587) | (7,927) |
| Contributions by employer | 1,090 | 1,170 |
| Contributions by Members and Age Related Rebates | 458 | 240 |
| Benefits paid | (1,461) | (1,307) |
| | <hr/> | <hr/> |
| At end of year / period | 37,962 | 36,241 |
| | <hr/> <hr/> | <hr/> <hr/> |

Expense recognised in the profit and loss account:

| | Value at 31 December 2009 £000 | Value at 31 December 2008 £000 |
|---|---|---|
| Current service cost | (172) | (452) |
| Interest on defined benefit pension plan obligation | (2,395) | (2,389) |
| Expected return on defined benefit plan assets | 2,221 | 2,665 |
| | <hr/> | <hr/> |
| Total | (346) | (176) |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

17 Pension scheme (continued)

Income / (expense) recognised in the profit and loss account:

| | Value at 31 December 2009 £000 | Value at 31 December 2008 £000 |
|--------------------------------|---|---|
| Administrative costs | (172) | (452) |
| Other finance (costs) / income | (174) | 276 |
| | <hr/> | <hr/> |
| Total | (346) | (176) |
| | <hr/> <hr/> | <hr/> <hr/> |

The total amount recognised in the consolidated statement of total recognised gains and losses in respect of actuarial gains and losses is a loss of £746,000 (2008: £5,620,000).

Cumulative actuarial gains/losses reported in the consolidated statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002, are losses of £6,056,000 (2008: £5,310,000).

Scheme assets

The fair value of the Scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the Scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

| | Value at 31 December 2009 £000 | Value at 31 December 2008 £000 |
|-------------------------------------|---|---|
| Equities | 16,386 | 15,547 |
| Bonds | 21,346 | 18,556 |
| Property | - | 2,138 |
| Cash | 230 | - |
| | <hr/> | <hr/> |
| Total market value of assets | 37,962 | 36,241 |
| Present value of scheme liabilities | (44,940) | (43,217) |
| | <hr/> | <hr/> |
| Net pension liability | (6,978) | (6,976) |
| | <hr/> <hr/> | <hr/> <hr/> |
| Actual return on plan assets | 1,634 | (5,262) |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

17 Pension scheme (continued)

The expected rates of return on the assets in the Scheme were:

| | Long term rate of return 31 December 2009 | Long term rate of return 31 December 2008 |
|-----------------|--|--|
| Equities | 7.40% | 6.85% |
| Corporate Bonds | 5.70% | 5.60% |
| Gilts | 4.40% | 5.60% |
| Property | N/A | 5.60% |
| Cash | 4.40% | N/A |

The weighted average expected long term return on plan assets is 6.0% (2008: 6.14%).

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The major assumptions used in this valuation by the actuary were (in nominal terms):

| | 31 December 2009 | 31 December 2008 |
|---|---------------------|---------------------|
| Rate of increase in salaries | 3.50% | 3.00% |
| Rate of increase in pensions in payment | 5.00% | 5.00% |
| Rate of increase of pensions in deferment | 3.50% | 3.00% |
| Discount rate applied to scheme liabilities | 5.70% | 5.60% |
| Inflation assumption | 3.50% | 3.00% |

In valuing the liabilities of the pension fund at 31 December 2009, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2009 would have increased by approximately £1.4m before deferred tax.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22 years (male), 25 years (female).
- Future retiree, currently aged 45, upon reaching 65: 24 years (male), 27 years (female).

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The history of the plans for the current and prior periods is as follows:

| | Value at 31 December 2009 £000 | Value at 31 December 2008 £000 | Value at 31 December 2007 £000 |
|-------------------------------------|---|---|---|
| Present value of scheme liabilities | (44,940) | (43,217) | (43,750) |
| Fair value of scheme assets | 37,962 | 36,241 | 41,400 |
| Deficit | (6,978) | (6,976) | (2,350) |

Notes (continued)

17 Pension scheme (continued)

Experience adjustments:

| | Year ending 31 December 2009 | Year ending 31 December 2008 | 5 months ending 31 December 2007 |
|--|---|---|---|
| Difference between the expected and actual return on scheme assets: | | | |
| Amount (£000) | (587) | (7,927) | 235 |
| Percentage of year end scheme assets | -2% | -22% | 1% |
| Experience gains and losses on scheme liabilities: | | | |
| Amount (£000) | 540 | (65) | - |
| Percentage of year end present value of scheme liabilities | 1% | 0% | 0% |
| Total amount recognised in statement of total recognised gains and losses: | | | |
| Amount (£000) | (746) | (5,620) | 310 |
| Percentage of year end present value of scheme liabilities | 2% | -13% | 1% |

The Company and employees are paying contributions to both schemes at the rates recommended by the Scheme Actuary. The Company's contribution to both schemes is charged to the profit and loss account (prior to FRS17 adjustments) in the period in which they are paid and amounted to £1,150,128 to the Scheme and £312,889 to the money purchase scheme in 2009 (2008: the Scheme £1,183,597; money purchase scheme £253,624). In addition the Company paid £4,744 into the personal pension schemes of certain employees (2008: £3,604).

The trustees of the Scheme have a guarantee from the Horserace Betting Levy Board ('HBLB') that if the Authority does not make its annual payments for either the annual deficit payment or its ongoing services contributions then the HBLB will make these payments. This guarantee is effective until the earlier of 31 December 2019 or the date at which the Scheme deficit using the 2007 actuarial assumptions has been fully paid off.

Analysis of amount recognised in statement of total recognised gains and losses

| | 12 months ending 31 December 2009 £000 | 12 months ending 31 December 2008 £000 | 5 months ending 31 December 2008 |
|---|---|--|---|
| Actual return less expected return on scheme assets | (587) | (7,927) | 235 |
| Changes in assumptions underlying the present value of scheme liabilities | (159) | 2,307 | 75 |
| | <hr/> | <hr/> | <hr/> |
| Actuarial gain recognised in statement of total recognised gains and losses | (746) | (5,620) | 310 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

18 Liability of members

The four members of the Company have undertaken to contribute a sum not exceeding £1 each to meet the liabilities of the Company in the event that it is wound up.

19 Commitments

The Company has a contract with Weatherbys Limited for the provision of substantial racing and general administration services. As long as each party complies with its obligations under the contract it will continue to be subject to termination by either side on three years' notice. The Directors are satisfied that there is no likelihood that the Company will terminate the contract in the foreseeable future.

At 31 December 2009 the Group and Company had annual commitments under non-cancellable operating leases as follows:

| | 2009 | | 2008 | |
|--|-------------------------------|---------------|-------------------------------|---------------|
| | Land and buildings £000 | Other £000 | Land and buildings £000 | Other £000 |
| Expiring within one year | - | 106 | 513 | 115 |
| Expiring between two and five years inclusive | - | 295 | - | 312 |
| Over five years | 614 | - | - | - |
| | 614 | 401 | 513 | 427 |
| | 614 | 401 | 513 | 427 |

Notes (continued)

20 Reconciliation of net cash flow to movement in net funds

| | 2009 £000 |
|--------------------------------------|----------------------------|
| Increase in cash in the year | 5,304 |
| Cash withdrawn from liquid resources | (7,000) |
| | (1,696) |
| Changes in net funds | |
| Net funds at 1 January 2009 | 13,285 |
| | 11,589 |
| Net funds at 31 December 2009 | 11,589 |

Analysis of net funds

| | At 1 January 2009 £000 | Cash flow £000 | At 31 December 2009 £000 |
|--------------------------|--|------------------------------------|--|
| Cash at bank and in hand | 6,285 | 5,304 | 11,589 |
| Short term deposits | 7,000 | (7,000) | - |
| | 13,285 | (1,696) | 11,589 |
| Total | 13,285 | (1,696) | 11,589 |

21 Related party transactions

In accordance with the provisions of Financial Reporting Standard 8 (FRS 8), Related Party Disclosures, the related party transactions entered into by the Group, being material to either party, are detailed below. A number of directors are also racehorse owners and/or directors of racecourses and all transactions that arose were in the normal course of business.

(a) **Racecourse Association Limited (RCA)**

The Company was invoiced £nil for workshop and training seminars (2008: £1,255). The Group was invoiced £30,000 for radio promotional services (2008: £12,500) and £87,849 as a contribution towards legal costs (2008: £nil).

The Company invoiced £10,417 for use of space in its premises (2008: £nil) and £nil for other sundry items (2008: £1,510). The Group invoiced £50,000 as certain costs for the promotion of the raceday experience (2008: £nil).

21 Related party transactions (*continued*)

(b) Racehorse Owners Association Limited (ROA)

The Company was invoiced £nil (2008: £4,832) for a study by the Horsemen's Group on 48 Hours Monies and £15,000 for legal fees (2008: £16,500). The Group was invoiced £58,837 for consultancy services (2008: £74,835) and £22,500 for legal costs incurred (2008: £nil).

The Company invoiced £2,672 for other sundry items (2008: £669).

(c) Horserace Betting Levy Board (HBLB)

PD Roy was nominated by the Company as a Director of the HBLB:

The HBLB was invoiced £1,500 (2008: £nil) as a sponsor of the Authority's Graduate development programme, £nil (2008: £24,544) for provision of HR services, £nil for CCTV at Great Leighs Racecourse (2008: £29,000) and £nil for security services (2008: £1,900). The Company was invoiced £nil (2008: £210) for a press cuttings service.

(d) Thoroughbred Breeders Association (TBA)

During the year the Company contributed £nil (2008: £816) towards the TBA's costs and received contributions from the TBA towards the British Bloodstock Marketing Group of £39,273 (2008: £50,000) and paid committee member expenses of £1,548 (2008: £nil).

(e) Arena Leisure plc (Arena)

RI Renton is a director of Arena and a director of the Company. The Company invoiced racecourses that are part of the Arena group £500,038 (2008: £490,691) for programme announcement payments, £372,009 (2008: £351,265) for entry handling fees, £5,085,175 (2008: £4,911,390) for fixture fees and £3,642 as a contribution towards the 2007/08 Order of Merit and £2,941 as a contribution towards the 2008/09 Order of Merit.

In addition, the Group spent £4,233 (2008: £166) with Arena's racecourses for room hire and refreshments and invoiced one of Arena's racecourses for an additional Clerks of the Scales £158 (2008: £nil).