

British Horseracing Authority Limited
(A Company limited by guarantee)

**Directors' report and consolidated
financial statements**

Registered number 2813358

31 December 2008

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
Consolidated balance sheet	12
Company balance sheet	13
Consolidated cash flow statement	14
Reconciliation of operating profit to net cash flow from operating activities	14
Statement of Total Recognised Gains and Losses	15
Notes	16

Directors and advisors

Directors

The current Directors are:

PD Roy	Chairman
NI Coward	
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

151 Shaftesbury Avenue
London
WC2H 8AL

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 2008.

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 whilst the principal activity of BHB Enterprises Limited (together "the Group") is the commercialisation of the contents of the Racing Administration database 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 Racing industry. 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 to provide the most compelling and attractive racing in the world, to be seen as a leader in 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 racing 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. It seeks to maintain and promote horseracing as a competitive, quality and attractive sport, as the core of racecourses' 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 the Group will work to secure the right financial return to racing from betting operators. In its drive to ensure that British racing can compete 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.

The Group has 6 values that run through all our work. We will aim 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.

Turnover for the year was £34.3m (2007:£34.0m), 0.8% higher than the previous year. The higher turnover was due primarily to increased fee income from owners and racecourses due to small increases in unit fees charged, together with volume increases driven primarily by the fixture list increase in 2008.

Commercial

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

Over the next 12 months, BHB Enterprises Limited will be restructured to change the board structure and the rights of the shareholders. 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 Thoroughbred Limited.

Differential prices continue to be applied to entry fees depending upon whether the entry is made online via the racing administration website or made through the call centre. This follows practices employed by many other commercial companies and more accurately reflects that each method has a different cost structure. In 2008, the Group changed the fees for sponsorship registrations again to reflect the different administration costs of supplying the various different services involved. As a result, income rose by £98,000 in this area. In 2009, we will roll out this process further by reviewing the VAT registration process and fees involved.

In monitoring our income we review 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.

	2008	2007
Entry volumes	286,723	283,689
% of entries made online	64.8%	60.9%
Total fixtures programmed	1,504	1,415
Total fixtures run	1,424	1,330
Owners with horses in training (monthly average)	9,537	9,550

Source: Management information / Authority Annual Review

Directors' report (continued)

Costs

Costs, which for the purposes of the financial statements also include pension scheme costs, amounted to £33.5m (2007: £37.3m), for the year ended 31 December 2008. The lower level of costs was due primarily to accounting adjustments in relation to the pension scheme, with 2007 having a significant impact as it was the first year that the deficit had been recognised on the Group's balance sheet and as such costs of £3.0m were recognised. Pension adjustments in accordance with FRS17 in 2008 reduced costs by £0.7m. These two factors combined show a true saving year on year of £0.1m despite inflationary increases in many areas.

Raceday Regulation and Integrity Services

Of the £33.5m (2007: £37.3m) spent during the year, £17.6m (2007: £18.3m) was spent on regulating the sport, underlining the Group's commitment in this area. Without this spend the integrity of racing would be severely compromised. The Group works hard to ensure that these services provided represent value for money. The costs can be split into three distinct areas; the costs incurred through Horseracing Forensic Laboratory Sports Science, the costs of regulation on a racecourse, and the head office costs of regulation. The decrease in costs in 2008 is a result of improved financial management.

	2008	2007
Cost per programmed fixture	£11,702	£12,936
Percentage of total costs spent on regulation	52.5%	49.1%

Promotion

The Group reviewed its objectives in this area and determined appropriate areas of spend. The Group spent £1.2m (2007: £1.1m) during the year on promoting the sport, through direct promotion. Headcount costs increased in the period but are not included in this figure as they are controlled and managed centrally. Certain activities undertaken previously by the Authority are now undertaken by BHB Enterprises Limited, these amounts of £0.4m are included in the Group figure above.

A significant proportion of this year's direct spend was incurred promoting the Order Of Merit competition, which was won by Kauto Star in 2007/08. The cost of this promotion is split 50/50 with the racecourses.

The Group's website, www.britishhorseracing.com, is an invaluable source of information to those interested in the industry.

The VAT Scheme, agreed between the Company and HM Revenue & Customs in 1993 and extended following an intensive review in 2005/6, allows racehorse owners who secure sponsorship for their horses to register for VAT and subsequently reclaim VAT on their racing related expenses. This scheme is worth in the region of £25m per annum to the sport.

The Group also believes in the recognition of those in the sport. This not only includes its annual awards for trainers, jockeys and horses, but also the Stable and Stud staff awards, sponsored by Godolphin. 2008 was the fifth year of these awards and the Group is proud of the high profile achieved by the awards in that time.

Finally the Group launched a rebranding project to look at the branding of the sport. Other funds are spent to promote increased awareness of racing, attendance at race meetings and British bloodstock.

	2008	2007
Total unique users on The Authority britishhorseracing.com website – monthly average	34,342	39,384
Total ticket sales	£199,041	£304,579
Total attendances	5,716,656	5,815,311
Average attendances – flat	3,981	4,312
Average attendances - jump	4,074	4,488

Source: Management information / Authority Annual Review

Directors' report (continued)

Recruitment Training and Welfare

Building for racing's future is a core responsibility 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 at many industry groups in this area through setting a mutually agreed industry strategy. The team also runs many industry recruitment and training courses. One of the most successful is the Graduate Development Programme which brings graduates into racing; of the 16 attendees on the 2008 scheme, over 75% are now employed in the industry, some within the Group. In 2009 the programme has been expanded to offer more places.

The careersinracing.com website was launched in January 2006 and the Job Board in July 2006. These continue to grow in popularity and there have been as many as 40 jobs advertised at any one time, with the average being around 20. Daily visitors to the website topped 10,500 twice in 2008 with a monthly average over 9,500. The Careers in Racing brand was shortlisted for "Best Promotion of a Sport by a Governing Body" category at the Sports Industry Awards 2008. In 2007 the brand was runner up to McDonalds in the Employer Brand category at the CIPD Recruitment Marketing Awards. A new project 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 recognised that the welfare and training of staff working in the industry was vital and 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.

The fixture list now contains approximately 254 fixtures (2007: 195) which are bid for by racecourses through an open and transparent auction process. Any funds generated through this process are used to provide prize money for races that are 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:

	2008	2007
Horses in training (monthly average)	15,321	14,876
Average Field Sizes – Flat turf	10.6	10.9
Average Field Sizes – Flat AW	9.5	10.3
Average Field Sizes - Chase	9.1	8.7
Average Field Sizes - Hurdles	11.7	11.5
Average Field Sizes - NHF	12.8	12.4
Total prize money	£106,255,514	£98,682,069

Source: Management information / Authority Annual Review

Directors' report (continued)

Equine Science and Welfare

The safety and welfare of horse and rider is a top 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.

We continue to invest heavily in testing and research and spent £3.7m with Horseracing Forensic Laboratory Sports Science in 2008 (2007: £4.0m). Evidence of our work on this area is shown below.

	2008	2007
Runners	98,457	93,719
Samples analysed – horses	11,037	9,035
Positives confirmed - horses	16	7
% test positives	0.14	0.08

Source: Management information / Authority Annual Review

Finance and Corporate Services

The make-up of the Group's central costs in 2008 is not significantly different to that in 2007, primarily because prior to transferring in the operations of the Horseracing Regulatory Authority and becoming the British Horseracing Authority the costs for regulation were paid for by the Group under contract. One large area of cost continues to be spent on external legal and professional services. We continue to seek to drive efficient use of these resources, for example instructing counsel directly to reduce costs. The move by the Group to new offices in 2009 will enable the Group to take advantage of the favourable market conditions in the London rental arena, providing a sensible cost base for the Group going forward.

Principal risks and uncertainties

The Group's principal risks and uncertainties arise through catastrophic events (such as disease), a significant reduction in the Horserace Betting Levy ('Levy') or in a significant downturn in the economy. Disease is being addressed as above. With respect to the Levy, the Group is addressing this issue as discussed in future developments below. With respect to the current significant downturn in the economy, the Group is monitoring what impact this has on racecourse attendances, and the level of racehorse owners. Some allowance for reduced fee income in 2009 has been made within the Group budget, with budgeted costs reduced accordingly.

Future developments

The Group will be working with government, The Horseracing Betting Levy Board and representative bodies to consider the modernisation of the processes by which the levy return to racing from betting is established.

Directors' report (continued)

Members

The Members of the Company are:

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

The Licensed Personnel member represents Trainers, Jockeys, Stable Staff and other industry constituents.

Political and charitable donations

During the year the Group donated £17,150 (2007: £6,982) to charities related to horseracing. During the year the Group made no political donations (2007: £nil).

Change in fixed assets

The movements in fixed assets are shown in note 9 to the financial statements.

Directors

The current Directors of the Group are listed at the beginning. 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 £1.5m (2007: loss of £2.6m) 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:

- the use of clearly defined authorities;
- a separate Chairman and Chief Executive;
- laid down procedures;
- a Nominations and Remuneration Committee;
- an Audit Committee;
- a fully independent board with no representative members;
- a directors' code of practice adopted by the Board;
- regular monitoring by the Board of Directors; and
- a Chairman's Committee, comprising representatives of our Members which considers 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



PD Roy
Chairman

27 April 2009
151 Shaftesbury Avenue
London
WC2H 8AL

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).

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss 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 group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



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 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 8.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

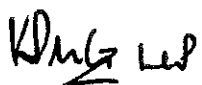
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2008 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



KPMG LLP
Chartered Accountants
Registered Auditor

5 May 2009

Consolidated profit and loss account
for the year ended 31 December 2008

	<i>Note</i>	2008 £000	2007 £000
Group Turnover	2	34,299	34,026
Administrative expenses		(33,533)	(37,268)
		<hr/>	<hr/>
Operating profit / (loss)		766	(3,242)
Share of operating losses in joint ventures	10	-	-
		<hr/>	<hr/>
Total operating profit / (loss)		766	(3,242)
Other interest receivable and similar income	6	604	1,106
Other finance income	7	276	85
		<hr/>	<hr/>
Profit / (loss) on ordinary activities before taxation	5	1,646	(2,051)
Taxation on profit / (loss) on ordinary activities	8	(110)	(531)
		<hr/>	<hr/>
Profit / (loss) after taxation and retained for the financial year	15	1,536	(2,582)
		<hr/> <hr/>	<hr/> <hr/>

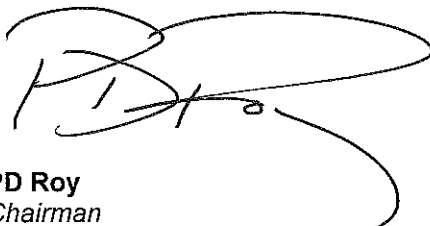
There is no difference between the result on ordinary activities before taxation and the result for the financial year stated above, and their historical cost equivalents.

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

Consolidated balance sheet
at 31 December 2008

	Note	2008 £000	2007 £000
Fixed assets			
Tangible assets	9	1,565	1,349
Investments	10	-	-
		1,565	1,349
Current assets			
Debtors	11	6,852	7,812
Short-term deposits		7,000	4,609
Cash at bank and in hand	12	4,659	5,516
		18,511	17,937
Creditors: amounts falling due within one year	13	(9,701)	(9,401)
Net current assets		8,810	8,536
Total assets less current liabilities		10,375	9,885
Provisions for liabilities and charges	14	(254)	(306)
Net assets excluding pension liability		10,121	9,579
Pension liability	16	(6,976)	(2,350)
Net Assets including pension liability		3,145	7,229
Capital and reserves			
Capital reserve	15	19	19
Profit and loss account	15	3,126	7,210
		3,145	7,229

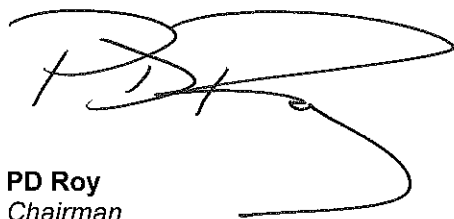
These financial statements were approved by the board of Directors on 27 April 2009 and were signed on its behalf by:


PD Roy
 Chairman

Company balance sheet
at 31 December 2008

	Note	2008		2007	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		1,565		1,349
Investments	10		50		50
			<hr/>		<hr/>
			1,615		1,399
Current assets					
Debtors	11	6,779		7,340	
Short-term deposits		3,000		3,000	
Cash at bank and in hand	12	3,720		2,787	
		<hr/>		<hr/>	
		13,499		13,127	
Creditors: amounts falling due within one year	13	(9,275)		(9,321)	
		<hr/>		<hr/>	
Net current assets			4,224		3,806
Total assets less current liabilities			<hr/>		<hr/>
Provisions for liabilities and charges	14		(254)		(306)
			<hr/>		<hr/>
Net assets excluding pension liability			5,585		4,899
Pension Liability	16		(6,976)		(2,350)
			<hr/>		<hr/>
Net (liabilities) / assets including pension liability			(1,391)		2,549
			<hr/>		<hr/>
Capital and reserves					
Capital reserve	15		19		19
Profit and loss account	15		(1,410)		2,530
			<hr/>		<hr/>
			(1,391)		2,549
			<hr/>		<hr/>

These financial statements were approved by the board of Directors on 27 April 2009 and were signed on its behalf by:



PD Roy
Chairman

Consolidated cash flow statement

for the year ended 31 December 2008

	Note	2008 £000	2007 £000
Net cash inflow from operating activities		1,607	4,109
Returns on investments and servicing of finance			
Interest received		582	628
Taxation			
Corporation tax paid		(371)	(1,240)
Corporation tax reclaimed in respect of prior periods		595	25
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(879)	(714)
		-----	-----
Cash inflow before management of liquid resources		1,534	2,808
Management of liquid resources			
Cash paid into money market deposit		(2,391)	(3,087)
		-----	-----
Decrease in cash	19	(857)	(279)
		=====	=====

Reconciliation of operating profit to net cash flow from operating activities

for the year ended 31 December 2008

	2008 £000	2007 £000
Operating profit / (loss)	766	(3,242)
Depreciation charges	662	456
Foreign Exchange gains / (losses)	22	478
Loss on sale of fixed asset	1	8
Decrease in debtors	486	1,030
Increase in provisions for liabilities and charges	-	11
Increase in pension liability	(718)	2,745
Increase in creditors	388	2,623
	-----	-----
Net cash inflow from operating activities	1,607	4,109
	=====	=====

Statement of Total Recognised Gains and Losses

for the year ended 31 December 2008

	2008 £000	2007 £000
Profit / (loss) for the financial year	1,536	(2,582)
Actuarial (loss) / gain recognised in the pension scheme	(5,620)	310
Total recognised gains and losses relating to the financial year	(4,084)	(2,272)

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.

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 2008. 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 are included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

Profit and loss account

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account. The profit of the Company in the year was £1,680,000 (2007: loss of £1,535,000) after tax.

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	-	3-5 years

Notes (continued)

1 Accounting policies (continued)

Intangible assets

The Group holds the database right in the database maintained by Weatherbys on its behalf containing pre-race data. This is an internally generated asset, and the Group grants licences to third parties to use the data on such database 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 20 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 Scheme operated by the Company and previously operated by the Jockey Club. The assets of The Scheme are held separately from those of the Company. The amount charged to the profit and loss account represents contributions payable to The 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 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 16.

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 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. As a result, the amount charged to the profit and loss account in the 7 month period to 31 July 2007 represented the contributions payable to The Scheme. Within the defined contribution section contributions are charged to the profit and loss account as incurred. Further disclosure is included in note 16.

Notes (continued)

2 Segmental information

	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
	<u>33,505</u>	<u>794</u>	<u>34,299</u>
Total sales	33,505	794	34,299
	<u>33,505</u>	<u>794</u>	<u>34,299</u>
Total operating profit before interest and taxation	718	48	766
	<u>718</u>	<u>48</u>	<u>766</u>
Net (liabilities) / assets	(1,391)	4,536	3,145
	<u>(1,391)</u>	<u>4,536</u>	<u>3,145</u>
	Racing administration 2007 £000	Data licensing 2007 £000	Total 2007 £000
Turnover			
United Kingdom and Republic of Ireland	32,738	1,255	33,993
Overseas	-	33	33
	<u>32,738</u>	<u>1,288</u>	<u>34,026</u>
Total sales	32,738	1,288	34,026
	<u>32,738</u>	<u>1,288</u>	<u>34,026</u>
Total operating loss before interest and taxation	(1,776)	(1,466)	(3,242)
	<u>(1,776)</u>	<u>(1,466)</u>	<u>(3,242)</u>
Net Assets	2,549	4,680	7,229
	<u>2,549</u>	<u>4,680</u>	<u>7,229</u>

The Group has two classes of business, 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.

The 'licensing' class of business is operated separately through BHB Enterprises Limited.

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 2008 was:

	2008	2007
	£000	£000
PD Roy (appointed 24 April 2007)	100	69
NI Coward (appointed 30 July 2007)	315	169
RI Renton (appointed 30 July 2007)	20	8
MG Gray (appointed 30 July 2007)	20	8
DG Gunn (appointed 30 July 2007)	35	15
JS Bridgeman (appointed 30 July 2007)	60	25
JC McGrath	20	14
GB Balding (appointed 30 July 2007)	20	8
MF Broughton (resigned 24 April 2007)	-	25
RJ Morgan-Jones (resigned 30 July 2007)	-	13
JH Richmond-Watson (resigned 30 July 2007)	-	6
PW Freedman (resigned 30 July 2007)	-	6
APS de Freitas (resigned 30 July 2007)	-	6
AM Grazebrook (resigned 30 July 2007)	-	9
JF Sanderson (resigned 30 July 2007)	-	6
JR Arnold (resigned 30 July 2007)	-	6
SM Crown (resigned 22 May 2007)	-	4
Baroness Mallalieu (resigned 30 July 2007)	-	12
DA Thorpe (resigned 30 July 2007)	-	6
Sir Michael Connell (resigned 30 July 2007)	-	6
PJ Dixon (appointed 12 July 2006 ; resigned 30 July 2007)	-	6
Total	590	427

The above includes amounts of £60,000 (2007: £88,000) paid to third parties in respect of them making available the services of, JC McGrath, MG Gray, RI Renton. The following directors relate to 2007 only RJ Morgan-Jones, JH Richmond-Watson Sir Michael Connell, DA Thorpe, JR Arnold, SM Crown, Baroness Mallalieu and PW Freedman.

	Number of directors	
	2008	2007
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 £315,000 (2007: £169,000), and Company pension contributions of £12,000 (2007: £9,000) were made to a money purchase scheme on his behalf.

Notes (continued)

4 Employee information

The average weekly number of persons (including Directors and excluding casual workers) employed by the Group during the year was 207 (2007:138). The significant increase is a result of the Company taking on the staff and activities of the Horseracing Regulatory Authority from 31 July 2007.

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

	2008	2007
	£000	£000
Wages and salaries	9,423	5,387
Social security costs	925	679
Pension costs	544	1,399
	10,892	7,456
	10,892	7,456

5 Profit on ordinary activities before taxation

	2008	2007
	£000	£000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation charge for the year:		
Tangible owned fixed assets	662	456
Auditors' remuneration:		
Audit of these financial statements	50	46
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	5	5
Other services relating to taxation	91	119
Valuation and actuarial services	-	34
All other services	20	22
Operating leases:		
Office rentals	684	695
Car leases	464	240
Net foreign exchange (gains) / losses	(22)	(478)
	684	695
	684	695

6 Other interest receivable and similar income

	2008	2007
	£000	£000
Bank interest	582	628
Foreign exchange gains	22	478
	604	1,106
	604	1,106

Notes (continued)

7 Other finance income

	2008	2007
	£000	£000
Expected return on pension scheme assets	2,665	1,051
Interest on pension scheme liabilities	(2,389)	(966)
	<hr/> 276 <hr/>	<hr/> 85 <hr/>

8 Taxation on profit on ordinary activities

	2008	2007
	£000	£000
UK corporation tax at 28.5% (2007:30%)		
Current - tax on profit / (loss) for current period	214	543
- Adjustment in respect of prior periods	(52)	(23)
	<hr/> 162 <hr/>	<hr/> 520 <hr/>
Deferred tax		
Accelerated capital allowances (see note 14)	(52)	11
	<hr/> (52) <hr/>	<hr/> 11 <hr/>
Total tax charge	<hr/> 110 <hr/>	<hr/> 531 <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 28.5% (2007: 30%). The difference is explained below.

	2008	2007
	£000	£000
<i>Current tax reconciliation</i>		
Profit / (loss) on ordinary activities before tax	1,646	(2,051)
	<hr/> 469 <hr/>	<hr/> (615) <hr/>
Current tax at 28.5% (2007:30%)		
<i>Effects of:</i>		
Expenses not deductible for tax purposes	117	112
Pension costs not immediately deductible	(283)	798
Adjustment in respect of prior years	(52)	(23)
Capital allowances less than depreciation	52	36
Other timing differences	(141)	212
	<hr/> 162 <hr/>	<hr/> 520 <hr/>

Notes (continued)

Factors that may affect future tax charges:

From 1 April 2008 the rate of corporation tax is 28%.

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

9 Tangible fixed assets – Group and Company

	Leasehold improvements	Fixtures, fittings and office equipment	Total
	£000	£000	£000
Cost			
At 1 January 2008	980	1,608	2,588
Additions	-	879	879
Disposals	-	(88)	(88)
	<hr/>	<hr/>	<hr/>
At 31 December 2008	980	2,399	3,379
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2008	565	674	1,239
Charge for the year	284	378	662
Disposals	-	(87)	(87)
	<hr/>	<hr/>	<hr/>
At 31 December 2008	849	965	1,814
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2008	131	1,434	1,565
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 January 2008	415	934	1,349
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

10 Fixed asset investments - Company

	Shares in Joint Venture £000	Shares in Group Undertakings £000	Total £000
Cost			
At 1 January 2008	100	50	150
At 31 December 2008	100	50	150
Provision			
At 1 January 2008	100	-	100
Movement in the year	-	-	-
At 31 December 2008	100	-	100
Net book value			
At 31 December 2008	-	50	50
At 1 January 2008	-	50	50

Fixed asset investments – Group

	Investment in Joint Venture £000
At 1 January 2008	-
Group's share of operating losses	-
At 31 December 2008	-

On 22 May 2002, 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. BHB 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)

11 Debtors: amounts falling due within one year

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Trade debtors	3,789	4,120	3,609	3,913
Amounts owed by group undertakings	-	-	118	685
Corporation tax asset	-	474	-	-
Other debtors	2,498	2,724	2,498	2,307
Prepayments and accrued income	565	494	554	435
	<u>6,852</u>	<u>7,812</u>	<u>6,779</u>	<u>7,340</u>

12 Cash

Included within the cash balance at 31 December 2008 is a balance of £746,000 (2007: £385,000) 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. In addition, included within the cash balance at 31 December 2008 is a balance of £363,000 (2007: £482,000) relating to monies received for use in the following year's Development Fund. Both of these funds are ring fenced and are not used for the normal course of business.

13 Creditors: amounts falling due within one year

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Trade creditors	1,842	2,446	1,699	2,373
Amount owed to group undertakings	-	-	69	-
Early closing races and development fund	1,109	868	1,109	868
Current corporation tax	108	196	29	196
Other taxes and social security	1,132	585	1,055	585
Other creditors	4,517	4,290	4,517	4,290
Accruals and deferred income	993	1,016	797	1,009
	<u>9,701</u>	<u>9,401</u>	<u>9,275</u>	<u>9,321</u>

Notes (continued)

14 Provisions for liabilities and charges – Group and Company

	Deferred	Total
	£000	£000
At 1 January 2008	306	306
Charge for the year	(52)	(52)
	254	254
	254	254

The elements of deferred taxation are as follows:

	2008	2007
	£000	£000
Difference between accumulated depreciation and amortisation and capital allowances	(16)	36
Other timing differences	270	270
	254	306
	254	306

15 Reserves - Group

	Capital reserve	Profit and loss account	Total
	£000	£000	£000
At 1 January 2008	19	7,210	7,229
Profit for the financial year	-	1,536	1,536
Actuarial loss recognised in the pension scheme	-	(5,620)	(5,620)
	19	3,126	3,145
	19	3,126	3,145

Reserves - Company

	Capital Reserve	Profit and loss account	Total
	£000	£000	£000
At 1 January 2008	19	2,530	2,549
Profit for the financial year	-	1,680	1,680
Actuarial loss recognised in the pension scheme	-	(5,620)	(5,620)
	19	(1,410)	(1,391)
	19	(1,410)	(1,391)

Notes (continued)

16 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. In addition, where possible the company has disclosed the value of the Scheme at 31 July 2007, the date at which it took over the Scheme and the date from which the multi employer exemption in FRS17 no longer applied.

The latest full actuarial valuation was carried out at 31 December 2005 and was updated for FRS 17 purposes to 31 December 2008 by a qualified independent actuary. A full valuation as at 31 December 2008 is currently being carried out.

It has been agreed that an employer contribution rate of 6.4% of pensionable pay will apply in future years, subject to the next actuarial valuation.

	Value at 31 December 2008 £000	Value at 31 December 2007 £000	Value as at 31 July 2007 £000
Present value of funded defined benefit obligations	(43,217)	(43,750)	(43,036)
Fair value of plan assets	36,241	41,400	39,978
	<hr/>	<hr/>	<hr/>
Deficit	(6,976)	(2,350)	(3,058)
Related deferred tax asset	-	-	-
	<hr/>	<hr/>	<hr/>
Net pension liability	<u>(6,976)</u>	<u>(2,350)</u>	<u>(3,058)</u>

Notes (continued)

16 Pension scheme (continued)

Movements in present value of defined benefit obligation:

	Value at 31 December 2008 £000	Value at 31 December 2007 £000	Value as at 31 July 2007 £000
At start of year / period	43,750	43,036	45,948
Current service cost	452	219	313
Past service cost	-	-	400
Interest cost	2,389	966	1,317
Curtailement gain	-	-	(887)
Actuarial gains / (losses)	(2,307)	(75)	(3,403)
Contributions by members	240	105	154
Benefits paid	(1,307)	(501)	(806)
	<hr/>	<hr/>	<hr/>
At end of year / period	43,217	43,750	43,036
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Movements in fair value of plan assets:

	Value at 31 December 2008 £000	Value at 31 December 2007 £000	Value as at 31 July 2007 £000
At start of year / period	41,400	39,978	31,810
Expected return on plan assets	2,665	1,051	1,133
Actuarial gains / (losses)	(7,927)	235	(360)
Contributions by employer	1,170	532	8,047
Contributions by members	240	105	154
Benefits paid	(1,307)	(501)	(806)
	<hr/>	<hr/>	<hr/>
At end of year / period	36,241	41,400	39,978
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Expense recognised in the profit and loss account:

	Value at 31 December 2008 £000	Value at 31 December 2007 £000	Value as at 31 July 2007 £000
Current service cost	(452)	(219)	(313)
(Losses) / gains on curtailments and settlements	-	-	887
Past service cost	-	-	(400)
Interest on defined benefit pension plan obligation	(2,389)	(966)	(1,317)
Expected return on defined benefit plan assets	2,665	1,051	1,133
	<hr/>	<hr/>	<hr/>
Total	(176)	(134)	(10)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

16 Pension scheme (continued)

Expense recognised in the profit and loss account:

	Value at 31 December 2008 £000	Value at 31 December 2007 £000	Value as at 31 July 2007 £000
Administrative costs	(452)	(219)	174
Other finance income	276	85	(184)
Total	(176)	(134)	(10)

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 £5,620,000 (2007: gain of £310,000).

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 £5,310,000 (2007: gain of £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 2008 £000	Value at 31 December 2007 £000	Value as at 31 July 2007 £000
Equities	15,547	19,385	18,504
Bonds	18,556	17,535	10,767
Property	2,138	2,828	3,133
Cash	-	1,652	7,574
Total market value of assets	36,241	41,400	39,978
Present value of scheme liabilities	(43,217)	(43,750)	(43,036)
Net pension liability	(6,976)	(2,350)	(3,058)
Actual return on plan assets	(5,262)	1,286	773

Notes (continued)

16 Pension scheme (continued)

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

	Long term rate of return 31 December 2008	Long term rate of return 31 December 2007	Long term rate of return 31 July 2007
Equities	6.85%	7.50%	7.40%
Bonds	5.60%	5.50%	5.40%
Property	5.60%	5.50%	5.40%
Cash	N/A	5.25%	5.25%

The weighted average expected long term return on plan assets is 6.14% (2007: 6.43%).

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 2008	31 December 2007	31 July 2007
Rate of increase in salaries	3.00%	3.45%	3.25%
Rate of increase in pensions in payment	5.00%	5.00%	5.00%
Rate of increase of pensions in deferment	3.00%	3.45%	3.25%
Discount rate applied to scheme liabilities	5.60%	5.50%	5.40%
Inflation assumption	3.00%	3.45%	3.25%

In valuing the liabilities of the pension fund at 31 December 2008, 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 2008 would have increased by approximately £1.3m 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: 20 years (male), 23 years (female).
- Future retiree, currently aged 45, upon reaching 65: 21 years (male), 24 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.

Notes (continued)

16 Pension scheme (continued)

On 31 July 2007 the pension liability was recognised on the balance sheet with the corresponding liability of £3.043m recognised in the profit and loss account. During 2007 but prior to the Company becoming principal employer a significant investment of £7m was made into the Scheme of which the Company contributed £0.55m. This figure is shown within the contributions paid in the period to 31 July 2007.

The curtailment gain of £887,000 arose due to the following change in the Scheme in February 2007.

1. For future service, the existing Final Salary Scheme was replaced by a Career Average Revalued Earnings ("CARE") Scheme;

In addition, other changes were made to the Scheme as follows:

2. For future service an accrual rate of 80ths has been used;

3. The final salary linkage for benefits for service up to 31 January 2007 was discontinued and members' accrued benefits will be revalued in line with statutory provisions from that date until retirement;

4. Members' contributions were changed to 5.3% of Pensionable Salaries;

5. Employer Contributions were changed to 6.4% of Pensionable Salaries in respect of future service benefit accrual and £1.6m per annum to eliminate the Scheme deficit over a 10 year period. Since a lump sum payment was made into the Scheme on 31 July 2007 the future required deficit funding has reduced to £0.9m per annum. In addition the Employer meets the costs of administering the Scheme, the cost of lump sum death in service insurance premiums and Levies due by the Scheme. The Group expects to contribute approximately £1.16m in 2009 through deficit and ongoing funding.

The revised contribution rates, with effect from 1 February 2007, were certified by the Scheme Actuary as being adequate to eliminate the deficit over a 10 year period. No changes have been made to these assumptions during 2008.

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

	Value at 31 December 2008 £000	Value at 31 December 2007 £000	Value as at 31 July 2007 £000
Present value of scheme liabilities	(43,217)	(43,750)	(43,036)
Fair value of scheme assets	36,241	41,400	39,978
	<hr/>	<hr/>	<hr/>
Deficit	(6,976)	(2,350)	(3,058)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

16 Pension scheme (continued)

Experience adjustments:

	Year ending 31 December 2008	5 months ending 31 December 2007	7 months ending 31 July 2007
Difference between the expected and actual return on scheme assets:			
Amount (£000)	(7,927)	235	(360)
Percentage of year end scheme assets	-21.9%	1%	-1%
Experience gains and losses on scheme liabilities:			
Amount (£000)	-	-	-
Percentage of year end present value of scheme liabilities	0%	0%	0%
Total amount recognised in statement of total recognised gains and losses:			
Amount (£000)	(5,620)	310	3,043
Percentage of year end present value of scheme liabilities	-13%	1%	7%

The Company and employees are paying contributions to both schemes at the rates recommended by the Scheme Actuary. The Company's contributions to both schemes are charged to the profit and loss account in the period in which they are paid and amounted to £1,183,597 to the Scheme and £253,624 to the money purchase scheme in 2008 (2007: the Scheme £1,283,131; money purchase scheme £116,494). In addition the Company paid £3,604 into the personal pension schemes of certain employees (2007: £nil).

The trustees of the Scheme have a guarantee from the HBLB that if the new principal employer, 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 January 2017 or the date at which the Scheme deficit using the 2006 actuarial assumptions has been fully paid off.

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

	12 months ending 31 December 2008 £000	5 months ending 31 December 2007 £000	7 months ending 31 July 2007 £000
Actual return less expected return on scheme assets	(7,927)	235	(360)
Experience gains and losses arising on scheme liabilities	-	-	-
Changes in assumptions underlying the present value of scheme liabilities	2,307	75	3,403
	(5,620)	310	3,043
Actuarial gain recognised in statement of total recognised gains and losses	(5,620)	310	3,043

Notes (continued)

17 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.

18 Commitments

The Company has a contract with Weatherbys Thoroughbred 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 2008 the Group and Company had annual commitments under non-cancellable operating leases as follows:

	2008		2007	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Expiring within one year	513	115	-	28
Expiring between two and five years inclusive	-	312	761	757
Over five years	-	-	65	-
	513	427	826	785
	513	427	826	785

Notes (continued)

19 Reconciliation of net cash flow to movement in net funds

	2008
	£000
Decrease in cash in the year	(857)
Cash paid into liquid resources	2,391
	1,534
Changes in net funds	1,534
Net funds at 1 January 2008	10,125
	11,659
Net funds at 31 December 2008	11,659

Analysis of net funds

	At 1 January 2008 £000	Cash flow £000	At 31 December 2008 £000
Cash at bank and in hand	5,516	(857)	4,659
Short term deposits	4,609	2,391	7,000
	10,125	1,534	11,659

20 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) The Racecourse Association Limited (RCA)

The Company paid £nil (2007: £1,000) to the RCA towards Order of Merit advertising as part of the marketing expenditure, £1,255 for workshop and training seminars (2007: £1,250), £nil (2007: £7,401) towards the set up of a ticketing call centre, and £nil (2007: £21,150) for constitutional costs. The Company received £1,510 for other sundry items (2007: £nil).

(b) Racehorse Owners Association Limited (ROA)

The Company paid £4,832 (2007: £nil) for a study by the Horsemen's Group on 48 Hours Monies (2007: £nil) and £16,500 for legal fees relating to the database agreement (2007: £nil). The Company received £669 for other sundry items (2007: £nil).

Notes (continued)

20 Related party transactions (continued)

(c) Horserace Betting Levy Board (HBLB)

The following Directors and Executives were nominated by the Company as Directors of the HBLB:

NI Coward	- resigned 16 July 2008
PD Roy	- appointed 16 July 2008

The HBLB provided grants to the Company for computer development expenditure on TRICL IV project of £nil (2007: £146,000), £nil (2007: £20,000) for a training and welfare system, £24,544 (2007: £15,000) for provision of HR services, £29,000 for CCTV at Great Leighs Racecourse (2007: £nil) and £1,900 for security services (2007: £nil). The Company paid £210 (2007: £420) for a press cuttings service.

(d) Thoroughbred Breeders Association (TBA)

During the year the Company contributed £816 (2007: £1,618) towards the TBA's costs and received contributions from the TBA towards the British Bloodstock Marketing Group of £50,000 (2007: £41,666).

(e) Arena Leisure plc

RI Renton is a director of Arena Leisure plc and a director of the Company. During the period when Arena Leisure was a related party, the Company invoiced racecourses that are part of the Arena Leisure plc group £490,691 (2007: £348,057) for programme announcement payments, £351,265 (2007: £186,342) for entry handling fees, £4,911,390 (2007: £2,449,922) for fixture fees and £3,642 as a contribution towards the 2007/08 Order of Merit.

In addition, the Company spent £166 (2007: £164) with two of Arena Leisure plc's racecourses for room hire and refreshments.