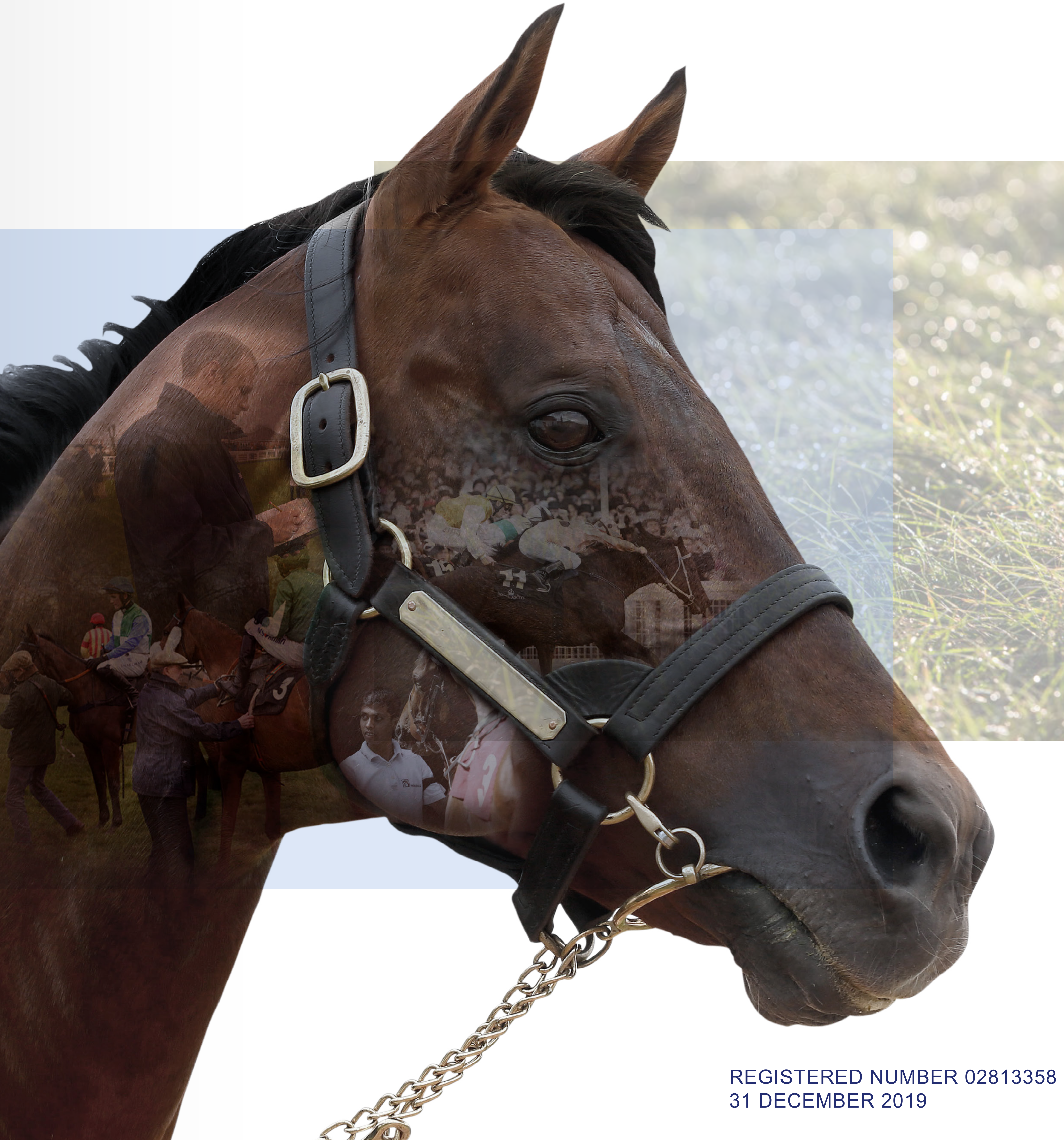
2019

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS



REGISTERED NUMBER 02813358
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CHIEF EXECUTIVE'S FOREWORD

In normal circumstances, this is the time of year when the British Horseracing Authority publishes its annual report and accounts for the previous calendar year, typically with a detailed, full-colour presentation of the full range of activities undertaken by the governing and regulatory body of British racing.

As we all know, the COVID-19 pandemic has ensured that 2020 has been far from "normal". While we were pleased that racing was in a position to resume in June, at time of writing there is still much to do. We have a way to go yet before we are fully back to normal, with crowds having not yet returned beyond limited test events, and with the full financial impact of lockdown on the economies both of the country and of our sport not yet fully known.

With that in mind, we felt that the production of a lengthy, glossy review of 2019 was not the best use of time or resources and might also feel somewhat out of date in the light of all that has happened since. However, for audit purposes and for reasons of transparency, we are of course publishing our annual report and consolidated financial statements for 2019, which are contained within this document, along with a commentary on the accounts. This short introduction takes the place of the traditional Chief Executive's Foreword in previous reviews, though does not form part of the audited report and financial statements.

I draw your attention to the "Section 172 Statement" in the attached strategic report, which highlights key strategic considerations for both the BHA and for the wider sport (the BHA and its principal stakeholders and members) and which provides additional information on a number of the areas covered briefly in this introduction.

This will be my last BHA annual report, as I made the difficult decision at the start of the year to leave my role as BHA Chief Executive by the end of the year. I had no idea at that time that my final year would coincide with the extraordinary circumstances created by the pandemic. . I have enjoyed my time at the BHA enormously. While the job has often been challenging, racing is a great sport to be involved with, and its people, with their unstinting passion and commitment, are second to none. I am pleased to be transferring the baton into the trusted and capable hands of Julie Harrington, currently CEO of British Cycling and a former member of the BHA Board, who will take up her new role in January 2021.

Our Chair, Annamarie Phelps, has also completed her first full year with us. Working with Annamarie has been a real highlight of recent months for me, and I know she will continue to be a great asset to - and advocate for - racing.

Looking back on 2019 with the benefit of hindsight, it is striking that a number of foundations were laid that have since been helpful in our handling of the COVID crisis. In February 2019 we even had a dress rehearsal of sorts, as racing went through its own six-day lockdown following positive cases of equine influenza.

Reflecting now, that brief episode illustrated that exemplary levels of biosecurity and adherence to associated protocols is par for the course in British racing, and our resilience to a potentially devastating disease was therefore very strong. The industry also has the proven ability to work together in a crisis. That was why we were able to resume racing with remarkable speed then, and also perhaps why our industry has adapted so quickly and impressively to the human biosecurity protocols that now exist, not just in racing, but across all aspects of life.

Along with the rest of the country, we are also turning our attention back towards Brexit, which remains a major concern for the racing industry. We made helpful progress in a few key areas in 2019 set against an extremely volatile political backdrop culminating in December's General Election. In the second half of the year, the BHA led the co-ordination of industry preparedness for a potential 'no deal' departure from the European Union. We worked in tandem with breeding industry colleagues and with Defra, to secure the vital listing of the UK as a third country for animal movements. Similarly, we led on representations throughout 2019 to the consultations on the design of the UK's future immigration system, including recognition of skilled racing and breeding roles (from January 2021 with further information expected soon).

At time of writing, much of the planning is being revisited, albeit for some starker scenarios, as we move towards the end of the agreed transition period on 31 December 2020. Whatever outcomes lie ahead of us – and our international competitiveness is again the subject of much scrutiny – British Racing will seek to continue to play its part on the global stage and work as closely and productively as ever with overseas racing jurisdictions and their umbrella bodies. We were pleased, for example, to host the Executive Council meeting of the European and Mediterranean Horseracing Federation in 2019, which included a visit to Cheltenham's November Meeting.

We are also planning for tough economic times, where again an already challenging situation has been amplified and exacerbated by the COVID crisis. The Government's Gambling Review of 2018, which reduced the maximum permitted stake on Fixed-Odds Betting Terminals (FOBTs) to £2, came into effect from April 2019. While this has not yet seen closures of betting shops on the scale predicted by some, there was an immediate impact on racing's finances, due to the way in which the sport's media rights deals are constructed. The impact of the FOBT changes now acquires an even greater significance in the post-COVID economic context.

I mentioned in last year's report that the 2018/19 Levy yield had been lower than forecast and mention it again partly for completeness but also to underline that, while 2019/20 Levy yield was £14m higher than the previous year, further reform of the Levy remains a key objective. Proposals for Levy reform were submitted to the UK Government in November 2019 and we are continuing to make a strong case for a review to ensure the Levy remains relevant and sustainable.

Collaboration with our industry partners remains vital to progress in the sport. While there have been challenges - particularly around important issues such as prize money, the sad loss of Towcester Racecourse, the need to recognise and reflect the vital contribution of owners, and the industry's overall financial strategy, which are once again in sharp focus as we begin our recovery from COVID-19 - there have also been a number of positive signs.

The industry's Horse Welfare Board met for the first time in April 2019. While its strategy was not published until 2020 and will therefore fit more aptly into next year's CEO report, the underpinning principles of the Board and its mode of operation have provided an excellent case study in cross-industry collaboration. With representatives drawn from racing's tripartite structure of BHA, horsemen and racecourses, together with an independent chair, Barry Johnson, and further independent input from Tracey Crouch MP, the Horse Welfare Board has been able to work together effectively in pursuit of our most important shared aim – that all horses bred for racing should enjoy a life well lived. The BHA is proud to have contributed to the formation and continuing development of this vital programme of work.

We are always working to improve our own systems, processes and regulations. In September, revised Rules of Racing came into effect. This was a significant project to re-write the Rules, to make them clearer and easier to understand, via the launch of a new, user-friendly online portal, which was developed using feedback from a cross-industry working group. We also implemented changes to our stewarding system and process, with an accompanying programme of training and assessment.

While the BHA does not regulate all aspects of the horseracing industry, we do seek to influence positive change in sectors closely associated with the regulated sport. The Review of the Buying and Selling Practices of Bloodstock and Racehorses was published in December and we will continue to work with the bloodstock industry ensure the findings lead to real progress.

Earlier, I paid tribute to the many wonderful people in our sport. The way in which racing's workforce has pulled together in responding to the challenges of the pandemic has been both humbling and awe-inspiring. It is vital that we continue to reward, develop and support our people.

Progress was made in several areas in 2019. Careers in Racing saw a further growth in recruits to the sport, while those already in the industry benefited from an expanded education programme, in which racing's centres of excellence are now supported by an improved range of online education and development courses, accessible to all via the Racing2Learn portal. Racing2Learn proved its worth in 2020, as it provided the platform for the COVID-19 education module, which was an essential requirement of government guidelines for the resumption of elite sport.

In 2019 the BHA also set up a dedicated safeguarding unit and associated education programme, to ensure that racing takes appropriate care of young and/or vulnerable participants.

Yet again, the Godolphin Stud and Stable Staff Awards provided the sport with an evening to remember and much of which to be proud. Catriona “Catch” Bissett, of Nick Alexander’s Kinneston Stables, was the deserving winner of the Employee of the Year Award.

I must, of course, pay tribute to all who contributed to another exhilarating 2019 on the track. While Aidan O’Brien triumphed in three of the British Classics, John Gosden and Frankie Dettori secured a home Classic double in the Oaks (Anapurna) and St Leger (Logician), as well as a second successive Weatherbys Hamilton Stayers’ Million with Stradivarius. Crystal Ocean and Enable, both British bred and trained, topped the Longines World’s Best Racehorse rankings.

Over Jumps, Willie Mullins and Paul Townend secured their first Cheltenham Gold Cup victory with Al Boum Photo, while another double first was scored in the Champion Hurdle by Gavin Cromwell and Mark Walsh, with the much-missed Espoir D’Allen. The last word, however, must go to the fearless and peerless Tiger Roll, who galloped to a second successive victory in the Grand National at Aintree. Had COVID not intervened, we might now be applauding a glorious hat-trick for Gordon Elliott’s pocket rocket.

In conclusion, and returning to my original point, while this report has given me a rare and welcome opportunity to stand back and reflect on 2019, the world has moved on and it is a reasonable conclusion to assume that it has fundamentally changed. I have noted the need, over several years in these reports, for the sport to adapt to changing times. This is now not just desirable, but essential.

My own departure from the BHA will provide an opportunity for fresh perspectives and new thinking, and I will of course continue to play my part during my remaining months in the role, but making the sport fit for the future is not just a job for the BHA, but for the whole sport, working together collaboratively, to innovate, engage new audiences, and to thrive.

NICK RUST

BHA Chief Executive Officer

The following pages contain the audited Annual Report and Financial Statements of the British Horseracing Authority for the year ended 31 December 2019.

Contents

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2019.

Strategic report

Principal activities

The principal activity of British Horseracing Authority Limited (“the Company” or “the BHA”) is to be the governing and regulatory authority for horseracing in Great Britain.

The principal activities of Great British Racing Limited (“the Company” or “GBR”) are the promotion of horseracing in Great Britain and the commercialisation of data to third parties.

The principal activity of British Horseracing Database Limited (“BHD”) is the maintenance and licensing of the Database.

BHA, GBR and BHD, together form “the Group”.

Overview

2019 was the final year of our current three year budget cycle (2017-2019). Performance in 2019 was slightly worse than budget. The BHA budgeted for a loss before tax of £478,000 and as shown on page 4 ended the year with a loss before tax and statutory adjustments of £767,000. The main reasons for this worsening position were due to writing off costs incurred in setting up the Racing Authority which were intended to be reimbursed by the Racing Authority, these bad debts amounted to over £75,000 in 2019 following £130,000 in 2018 and related mainly to board and recruitment costs. We also incurred one off costs on an industry project looking at creating a economic model which helps understand the drivers of Racing’s income and the fixture list. This item was outside budget but agreed through the Members Committee and so far has cost £175,000.

Activity in 2019 increased in many areas as we continued to respond to changes across the industry:

- By setting up the independent Horse Welfare Board
- By developing an economic model for the racing industry
- Through continued progression of diversity and inclusion
- By delivering significant work in relation to safeguarding and wider safeguarding policies
- Through increased testing on racedays and out of competition
- With ongoing improvements to the race programme
- With the launch of new Rules of Racing
- By publishing our review into the buying and selling of horses (‘Bloodstock Review’)
- With continued development of racing administration
- Via a new BHA Board structure

Strategic report *(continued)*

Headline numbers for 2018 and 2019 – Company Only

	2018	2019
	£'000	**£'000**
Income	**34,414**	**34,898**
Administrative costs	(34,296)	(35,690)
Operating surplus / (deficit)	118	(792)
Interest	14	25
Surplus / (deficit) before statutory adjustments and tax	**132**	**(767)**

Group Turnover

The Group has two material sources of income: registration and administration based fee income which is collected through the BHA, and commercial income through GBR.

Turnover for the year was £37.5m (*2018: £36.6m)*. The increase in turnover was due to fee rises on racecourses between 2018 and 2019 and an increased contribution from GBR. Overall income from participants fell year on year despite inflationary increases.

Group Administrative expenses

Costs for the Group as a whole, which for the purposes of the consolidated financial statements also include Financial Reporting Standard ('FRS') 102 adjustments for pension scheme costs, amount to £37.2m *(2018: £35.3m)* for the year ended 31 December 2019. These increased due to inflation, additional headcount and one off activity costs.

Performance vs budget – company only results

Taking the Company profit and loss account in isolation, the table below shows a reconciliation between the profit as disclosed for statutory purposes and the profit before tax used by management to monitor the business, which excludes statutory adjustments for pensions. Management use this performance measure as cash contributions paid during the year rather than the FRS102 prescribed accounting treatment, in management's view, this provides a better reflection of the costs of running the business.

Proforma (company only) Financials	**2018**	**2019**
	£'000	**£'000**
Statutory profit before taxation	778	**325**
Adjustments in respect of FRS102 for pensions – removal of cash contributions	(1,158)	**(1,304)**
Adjustments in respect of FRS102 for pensions – past service cost	78	**-**
Adjustments in respect of FRS102 for pensions – interest cost	434	**212**
Management accounts profit / (loss) before tax – prior to FRS102 adjustments	**132**	**(767)**

Strategic report *(continued)*

Balance sheet

The Company and Group position at the end of the financial year was, excluding movements in the defined benefit pension scheme deficit, in a similar position to the prior year.

The Group has net current assets of £7.8m (2018: £8.1m) of which £13.3m (2018: £12.5m) is in cash with the balance in debtors and creditors. The Group has total assets less current liabilities of £9.2m (2018: £9.8m).

Of BHA's cash balance, a significant amount is held in ring fenced accounts (see note 14) which cannot be used for day to day operations.

Taking into account the pension liability, which is a long term liability of £8.7m *(2018: £8.2m)*, overall net assets are £0.5m *(2018: net assets of £1.5m)*.

Taxation

BHA submitted claims to HMRC for Research and Development (R&D) tax credits for expenditure incurred in veterinary and medical research. This 2018 claim was processed and £55,000 was received from HMRC in 2020.

Based upon the 2019 results, it is anticipated that we will be making a large claim for R&D tax credits in 2020 which will be traded for cash at 14.5%. A deferred tax debtor of £243k is included in the Company balance sheet.

Capital spend

The Group spent £452,000 on capital items (intangible and tangible) in 2019. There were no individual significant elements to this spend.

KPIs

The Company uses various informal key performance indicators across the business to monitor internal performance. An aggregation of financial KPIs is performance against its three year budget - the results of which are discussed above. It does not currently use formal KPIs on which to monitor the overall strategic objectives which include financial and non-financial objectives.

Gender pay gap reporting

The Company is required to comply with Gender Pay Gap reporting requirements given its relevant employees are over 250 at the snapshot date of 5 April 2019. Relevant employees at this date include a number of sessional workers.

The results are shown in the tables below.

Mean gender pay gap in hourly pay	17%
Median gender pay gap in hourly pay	9%
Mean bonus gender pay gap	27%
Median bonus gender pay gap	0%
Proportion of Males and Females receiving a bonus	Males – 90%: Females – 94%

Strategic report *(continued)*

Gender pay gap reporting (continued)

Proportion of males and females in each quartile – Pay by quartile		
	Male	Female
Quartile 1	68%	32%
Quartile 2	78%	22%
Quartile 3	62%	38%
Quartile 4	53%	47%

In 2019, the BHA's overall gender split improved to 35% female and 65% male (from 30% female and 70% male in 2018). Our full gender pay report and action plan can be found on our website.

Principal risks and uncertainties

The Company maintains a risk register which is reviewed regularly by both the Audit Committee and Board. This register includes BHA operational risks and industry risks in areas where BHA has leadership responsibilities (e.g. equine welfare). Key risks within the register are as detailed below:

Risk identified	Further details
Coronavirus related issues such as BHA cashflows	The outbreak of Coronavirus in GB subsequent to the year-end caused a temporary cessation of the sport. During this period BHA's income was significantly impacted and steps were taken to remedy this by reducing costs and taking advantage of certain government support schemes. Racing resumed behind closed doors from 1 June 2020 but the performance of the Company remains susceptible to the nature and progress of a phased reintroduction as well as any further Covid-19 set-backs should they occur. Further details are provided in note 1 to the financial statements.
Concerns about equine welfare arising from changing social & political attitudes both here and internationally.	Action has been taken to address changing attitudes by establishing the Horse Welfare Board which published its strategy in 2020. This strategy covers all areas of a racehorse's life There will also be a public consultation on the future of the whip in 2020.
Regulatory changes in UK betting market impacting Racing's / industry income.	Government's Review of Gaming Machines has led to reduced maximum stakes being introduced from April 2019. The Gambling Act may be reviewed in 2020. Racing is keen to support a socially responsible betting industry with racing as a core product. We engage with charities and responsible gambling campaigns as well as working on an industry strategy for responsible gambling.
Impact of Brexit particularly in relation to free movement of horses and free movement of people.	An industry steering group has been established preparing for the implications of Brexit, with the primary focus on the short term challenges and maintaining stability. The group is also considering medium term opportunities including regulatory alignment, breeding incentives, taxation and trade opportunities.
Incidents emerge in unregulated sectors of the industry leading to reputational damage for the sport.	Review into the buying and selling of racehorses published and working group established across the industry. The 30 day foal notification mitigates risk for pre training environment and some major work is now being completed on aftercare as part of wider Horse Welfare Board strategy.
Significant outbreak of equine disease impacting animal movement or suspension of racing.	This risk became a reality in early 2019 when a new strain of Equine Influenza stopped racing for 6 days. The procedures set up and decisive action with support from horsemen and veterinary practitioners allowed a swift and robust response to alleviate this threat.

Strategic report *(continued)*

Section 172 statement

Introduction

The statement below sets out how the directors have performed their fiduciary duties to comply with Section 172 of the Companies Act 2006 ('s172'). S172 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making as well as providing greater transparency to staff, key stakeholders and members over key strategic projects and how we communicate more widely. This statement covers the British Horseracing Authority Group ('Group') and not just the British Horseracing Authority Limited ('BHA').

In relation to BHA, the key stakeholders are the member bodies of BHA: Racecourse Association Limited (RCA), Racehorse Owners Association Limited (ROA), Thoroughbred Breeders' Association (TBA) and Licensed personnel (LP). The latter three joined together are known as the Horsemen and represented by the Horsemen's Group ('HG').

Formal communication with these bodies is via the Members' Committee (representation at a Chair level) and Executive Committee (representation at a Chief Executive level) where all parties are represented, as well as through the BHA Board, which is now more representative as it contains two member-nominated members from Horsemen and Racecourses.

Other stakeholders include employees of the company, racegoers, key service providers, bookmakers and their customers, and the Horserace Betting Levy Board.

The Directors continue to have regard to the interests of the Company's employees and other stakeholders as listed above, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company and more widely the industry it regulates for its members in the long term.

Part I - Key business decisions that relate to the long-term health of the company and industry

As the regulatory and governing body for Horseracing in the UK, the majority of BHA's normal operating activities do not vary significantly year on year. For example, we do not make acquisitions or mergers, we do not aim to make significant profits by growing income and as a company limited by guarantee have no shares or ability to pay dividends. The three key business decisions in the year ended 31 December 2019 that the directors believe are significant in relation to s172 reporting given their future impact on both the company and the wider sport are listed below:

1. Creation of Horse Welfare Board ('HWB')

The independently chaired Horse Welfare Board (HWB) was established in April 2019, in recognition of the need for greater cross-industry alignment and focus on equine welfare. The HWB includes representation from racing's tripartite system of governance (the BHA, the "horsemen" and the racecourses), alongside two independent perspectives from outside the industry, including the independent Chair.

Key stakeholders across the industry including HG and RCA were involved, their engagement achieved through Members' and Executive Committee discussions over the need for an independently chaired function focussing on welfare. The aim consequence was to better ensure horse racing is actively engaging in horse welfare over the whole of a horse's life and not just when in training.

The objectives for the HWB have been set through a process involving the Members' Committee, the BHA's Director of Equine Health and Welfare and industry bodies. The objective is to achieve the best welfare outcomes possible for horses bred for racing in Great Britain, via a multiyear plan, full engagement of all relevant parties within and outside racing and commissioning a series of projects to achieve this. Equine welfare remains one of the Company's key priorities as, by delivering this key aim, overall interests of all parties including staff are protected. The HWB reports formally to the Members' Committee, a tripartite industry committee, which is responsible for the high-level strategic decisions for the sport.

Strategic report (continued)

Section 172 statement *(continued)*

2. Creation of economic model for horseracing

The British Racing industry, under normal circumstances, faces a period of economic uncertainty as a result of systemic changes in betting, competition for leisure expenditure and an increasing cost base driven by inflation in input costs (especially labour) and legislation.

Prize money hit record levels in 2018, growing substantially over the last decade with racecourses investing more in prize money and also increased Levy expenditure, driven by the replacement of the existing Levy scheme in 2017.

However wider changes in legislation, pre-emptive action by racecourses to falling income and increased tension between racecourses and participants over prize money levels meant it was necessary for the wider industry, led by BHA, to fund a piece of work to help the sport understand the levers and interdependencies between the income streams and ensure business models and fixture lists are created in an optimum manner.

The objectives of this project which were agreed by all stakeholders above are to:

- Summarise the financial and economic position of the Racing Industry and inform changes to the Fixture List for 2021 and beyond
- Identify the relative economic positions of different groups in the sport (Racecourses, including by size / group; trainers; owners; jockeys; racing staff; breeders; betting companies etc)
- Identify key economic levers and other relevant factors behind the Fixture List (e.g. numbers of owners, horses in training, runners per race, fixture numbers, Racecourse profitability, trainer viability, input costs, industry staffing etc)
- Be capable of exploring scenarios which may optimise the sport's overall economic position in the medium and long term (e.g. should we change our central funding distribution model towards lever x or y at the expense of a or b)

The key industry stakeholders, RCA and HG, were engaged fully in the tender process for this work, jointly setting the objectives and agreeing on the company to complete this work. Stakeholders were engaged through the Executive and Members' Committees, where they considered all aspects including the consequences of not undertaking this work and its potential impact on the sport, the wider communities and the multi-billion pound industry of horse racing, which supports many thousands of employees directly and indirectly and how it was essential that we better understand how to ensure the product is provided in the most appropriate manner for all relevant stakeholders.

The findings of this piece of work are expected in 2020. In light of the ongoing impacts of Covid-19, the outputs from this project will require further review and actions will need to be appropriate to pre-existing and new challenges faced by the industry.

3. Review into the buying and selling of racehorses

On 4 August 2017, the BHA informed relevant stakeholders that it was commencing a review of the buying and selling of bloodstock and racehorses within British Racing, following concerns raised by the BHA Board regarding unsatisfactory experiences for owners and prospective owners.

The BHA and its stakeholders in British Racing wish to see fair, transparent and responsible practices in place to remove significant actual and perceived barriers to new owners joining the sport, to retain those who have already become racehorse owners and to protect the integrity and reputation of British Racing. As such, this project was commissioned after extensive discussions with sales houses, owners and other relevant bodies.

The BHA appointed a Steering Group to lead the Review, containing independent board members and relevant BHA executives. Whilst the review looked at many areas, the most important aspect was ensuring that all relevant stakeholders were involved. This was done through a series of interviews with sales houses, bloodstock agents, breeders, owners, consigners and other interested parties.

Strategic report (continued)

Section 172 statement *(continued)*

The ultimate aim was to provide a structure and set of practices that were transparent and gave clear guidance on the roles of each relevant party, with the intention of ensuring long term growth and success for the whole industry.

The review looked at the following areas:

- To review the nature and integrity of practices involved in the buying and selling of bloodstock and racehorses within British Racing and to report its findings to the BHA Board; and
- To consider what (if any) action the BHA should take, by way of enhanced regulation or otherwise, to ensure legally and ethically robust, fair, transparent and responsible practices in the buying and selling of bloodstock and racehorses within British Racing and to make recommendations accordingly to the BHA Board.

The review was completed and approved by the BHA Board and published in December 2019. A working party comprising representatives from across the industry including the bloodstock sales houses has been created with the intention of delivering on the review recommendations. The long term success of the sport requires clear and transparent processes and encouragement of new owners into the sport, and the implementation of the key points from the review are essential to this.

Part II – Employee and other stakeholder engagement

The above focuses on key strategic project decisions in 2019 which have long term aims to improve the sport that BHA regulates and governs. This statement is also required to cover how we engage with all stakeholders, especially employees, describing the action that has been taken during the financial year to introduce, maintain or develop arrangements aimed at the following:

(i) providing employees systematically with information on matters of concern to them as employees

Within the Group we have over 250 employees, located across the entire country, working in various teams and in different and changing situations. With this type of disparate workforce, communication is very important to ensure information is shared quickly, effectively and consistently.

Whilst we would always ideally advocate face to face communication, with staff spread across the country this is not always practical. During 2019 we have used Workplace as a communication hub for disseminating messages and communicating with staff.

We also have three annual staff roadshows held across the country to communicate with staff and to bring people together from different teams and different locations.

(ii) consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests

There are more structured communication and consultation forums in certain parts of the business than others. Many of the raceday teams are included under a joint bargaining agreement signed between the company and Unite the Union, which together form a Joint Negotiating Board ('JNB'). JNB meet three times per year plus an additional meeting set aside purely to discuss salary proposals from each side and reach agreement for the year ahead. Disagreements that cannot be resolved in relation to salaries are referred to the arbitration service, ACAS. No referrals were made to ACAS in 2019.

Outside of salary discussions, this group covers areas such as travel, expenses, working conditions and compliance with the working time directive as well as providing a useful forum for overall consultation on issues such as pensions. Whilst we do not have exact numbers, we believe JNB represents over 50% of the salaried employees.

Consultation with non JNB members is less structured. In line with our values all feedback from staff is welcome and appropriate challenge between senior staff is imperative.

Annually we try to complete a staff survey to gauge staff views and opinions on where we, as a company, can improve, especially in relation to staff engagement and consultation.

Strategic report (continued)

Section 172 statement *(continued)*

(iii) encouraging the involvement of employees in the company's performance through an employees' share scheme or by some other means

As a regulator and a company limited by guarantee, we do not have employee share schemes or direct incentive schemes. In 2019, the last element of an incentive scheme – the Executive Bonus Scheme – was bought out. Employees who work for BHA are in many ways invested through their love of racing to do the best for the company and ultimately the sport and are not specifically financially invested through performance awards.

The company does have a separate recognition scheme for recognising performance throughout the year which is open to all staff.

(iv) achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company

The main method of communication for our financial position with employees is through the BHA Annual Review which is published after the year end and includes the full statutory accounts. This includes detail of BHA's overall results as a company and a group.

Monthly management accounts are produced and these are shared with the Executive team and Board with the intention of these being passed down to relevant managers. These employees are also fully included in the annual budget process as are stakeholders through both the BHA Board and individual stakeholder meetings.

The JNB meetings referred to above always include a financial update from management which is intended to be passed back to staff within the bargaining unit. In 2019, we also included further notes through workplace to all staff on BHA's overall 2020 budget.

The communication of financial information is definitely an area where staff engagement could be improved with more regular updates to the entire company on BHA's financial performance during the year as and when appropriate.

Wider economic factors impacting performance are covered in messages from relevant executives to the entire company.

Engagement with suppliers, customers and others in a business relationship with the company

The above section covered engagement with employees, who are a key stakeholder group. Also key suppliers and other related areas of the industry as listed in the introduction require regular communication.

Suppliers

We meet regularly with our key service providers through a series of operational and strategic delivery groups. Employees are encouraged to communicate directly with key service providers and this regular two way discussion leads to better outcomes and more efficient and effective solutions.

Other stakeholders

There are regular meetings with bookmakers via the Betting Liaison Group, which aims to incorporate comments and feedback from bookmakers into our race planning and fixture list process.

BHA's Chief Executive is a director of the HBLB, ensuring regular communication and understanding of levy related issues. In addition, the finance, racing and executive functions also discuss issues with their counterparts at HBLB, again ensuring a collaborative and effective working environment leading to more effective decision making.

Strategic report *(continued)*

Corporate governance

Although neither the Group nor the BHA are listed and do not voluntarily comply with the UK Corporate Governance Code, the directors, mindful of BHA's position as the governing and regulatory body for horseracing in Great Britain, believe in good corporate governance as evidenced by the following:

- a separate Chairman and Chief Executive;
- 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;
- 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;

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.

The BHA Board, together with the BHA's members, have continued to discuss the recommendations of the independent governance review carried out by Slaughter & May and presented to the Board in January 2018. A number of the recommendations have been implemented; others the BHA Board has decided not to implement at this time; and others remain under consideration.

22 July 2020

NJ Rust
Director

75 High Holborn
London
WC1V 6LS

Directors' report

Members

The members of the Company are:

- Racecourse Association Limited
- Racehorse Owners Association Limited
- Thoroughbred Breeders Association
- The Licensed Personnel Member ('LPM')

The LPM is jointly the National Trainers Federation, Professional Jockeys Association, and National Association of Racing Staff.

Political contributions

The Group made no political donations or incurred any political expenditure during the year *(2018: £nil)*.

Directors

A Phelps	Appointed 1 June 2019
NJ Rust	
DJ Armstrong	Appointed 19 February 2019
JR Arnold	Resigned 30 September 2019
MAM Carver	Appointed 7 March 2019
NG Cooper	Appointed 4 April 2019
LM Cumani	Appointed 1 October 2019
VA Currie	Resigned 17 February 2019
AS Duncan	
JA Harrington	Resigned 7 March 2019
EN Harwerth	Resigned 1 July 2019
AWK Merriam	
JW Saumarez Smith	
Sir Paul R Stephenson	
DL Whyte	

Certain directors benefitted from qualifying third party indemnity provisions in place and qualifying pension scheme indemnity provisions during the financial year and at the date of this report.

Dividends and transfers to reserves

The profit for the year of £0.5m *(2018: £1.0m)* has been transferred to reserves. The BHA is not permitted under its Memorandum of Association to pay dividends.

Future Developments

The group originally produced a 2020 budget which details an operating loss but a profit at an EBITDA level. Inevitably there will be ongoing impacts of Covid-19, specifically with regard to discretionary spend. However, with racing resumed, albeit currently behind closed doors, the Board anticipate a return to a new normal level of trading in due course.

Employees

The group is an equal opportunities employer and is fully committed to treating all employees and applications equally.

The group will take all reasonable steps to employ, train and promote employees on the basis of their experience, abilities and qualifications, without regard to race, religion, sexual orientation, nationality, belief, gender, age, marital status or disability. We will also take reasonable steps to provide a working environment in which all employees are treated with dignity and respect and that is free from harassment or discrimination.

Further details on employee engagement are set out in the strategic report.

Directors' report *(continued)*

Statement as to disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

The Company's auditor, BDO LLP, have expressed their willingness to be re-appointed and will be deemed to be re-appointed in accordance with Section 487 of the Companies Act 2006.

By order of the board

22 July 2020

NJ Rust
Director

75 High Holborn
London
WC1V 6LS

Statement of directors' responsibilities in respect of the Annual report and financial statements

The directors are responsible for preparing the Strategic Report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 group and company and of the profit or loss of the group and company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITISH HORSERACING AUTHORITY LIMITED

Opinion

We have audited the financial statements of British Horseracing Authority Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2019 which comprise the consolidated and company profit and loss accounts, the consolidated and company statements of comprehensive loss, the consolidated and company balance sheets, the consolidated statement of cash flows, the consolidated and company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's and the Parent Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITISH HORSERACING AUTHORITY LIMITED (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

Responsibilities of Directors
As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:
https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITISH HORSERACING AUTHORITY LIMITED (CONTINUED)

Use of our report

This report is made solely to the Parent 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 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP.

Ian Clayden (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK
29 July 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated profit and loss account

for the year ended 31 December 2019

	Note	**2019** **£000**	2018 £000
Group turnover	*2*	**37,541**	36,600
Administrative expenses		**(37,173)**	(35,335)
Operating profit	*5*	**368**	1,265
Interest on loans receivable	*6*	**97**	100
Other interest receivable and similar income	*7*	**30**	17
Interest payable and similar expenses	*8*	**(212)**	(434)
Profit before taxation		**283**	948
Taxation on profit	9	**244**	20
Profit for the financial year		**527**	968

The profit in the above profit and loss account relate entirely to continuing operations. The notes on pages 20 to 51 form part of these financial statements.

Consolidated statement of comprehensive (loss) / income

for the year ended 31 December 2019

	Note	**2019** **£000**	2018 £000
Profit for the financial year		**527**	968
Other comprehensive (loss) / income			
Remeasurement of the net defined benefit liability	*17*	**(1,581)**	9,042
Total comprehensive (loss) / income for the year		**(1,054)**	10,010

Company profit and loss account
for the year ended 31 December 2019

	Note	**2019 £000**	2018 £000
Turnover	*2*	**34,898**	34,414
Administrative expenses		**(34,386)**	(33,216)
Operating profit	*5*	**512**	1,198
Other interest receivable and similar income	*7*	**25**	14
Interest payable and similar expenses	*8*	**(212)**	(434)
Profit before taxation		**325**	778
Taxation on profit	*9*	**243**	67
Profit for the financial year		**568**	845

The profit in the above profit and loss account relate entirely to continuing operations. The notes on pages 20 to 51 form part of these financial statements.

Company statement of comprehensive (loss) / income

for the year ended 31 December 2019

	Note	**2019 £000**	2018 £000
Profit for the financial year		**568**	845
Other comprehensive (loss) / income			
Remeasurement of the net defined benefit liability	*17*	**(1,581)**	9,042
Total comprehensive (loss) / income for the year		**(1,013)**	9,887

Consolidated balance sheet
at 31 December 2019

	Note	**2019**		2018	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*10*		**691**		952
Tangible assets	*11*		**712**		715
			1,403		1,667
Current assets					
Debtors (including £1,634,000 *(2018: £1,715,000)* due after more than one year)	*13*	**8,764**		9,513	
Cash at bank and in hand	*14*	**13,326**		12,463	
		22,090		21,976	
Creditors: amounts falling due within one year	*15*	**(14,291)**		(13,876)	
Net current assets			**7,799**		8,100
Total assets less current liabilities			**9,202**		9,767
Provisions for liabilities					
Pension and similar obligations	*17*		**(8,716)**		(8,227)
Net assets			**486**		1,540
Capital and reserves					
Capital reserve			**19**		19
Profit and loss account			**467**		1,521
Shareholders' funds			**486**		1,540

The notes on pages 20 to 51 form part of these financial statements.

These financial statements were approved by the board of directors on 22 July 2020 and were signed on its behalf by:

NJ Rust
Director

Company balance sheet
at *31 December 2019*

	Note	**2019**		2018	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*10*		**691**		952
Tangible assets	*11*		**703**		706
Investments	*12*		**3,456**		3,456
			4,850		5,114
Current assets					
Debtors (including £243,000 *(2018: £56,000)* due after more than one year)	*13*	**7,036**		7,540	
Cash at bank and in hand	*14*	**11,211**		10,504	
		18,247		18,044	
Creditors: amounts falling due within one year	*15*	**(14,069)**		(13,606)	
Net current assets			**4,178**		4,438
Total assets less current liabilities			**9,028**		9,552
Provisions for liabilities					
Pension and similar obligations	*17*		**(8,716)**		(8,227)
Net assets			**312**		1,325
Capital and reserves					
Capital reserve			**19**		19
Profit and loss account			**293**		1,306
Shareholders' funds			**312**		1,325

The notes on pages 20 to 51 form part of these financial statements.

These financial statements were approved by the board of directors on 22 July 2020 and were signed on its behalf by:

NJ Rust
Director

Consolidated cash flow statement
for the year ended 31 December 2019

	Note	**2019** **£000**	2018 £000
Cash flows for operating activities			
Profit for the financial year		**527**	968
Adjustments for:			
Depreciation, amortisation and impairment		**711**	724
Interest income receivable and similar income		**(30)**	(17)
Gain on financial assets at fair value through profit and loss		**(97)**	(100)
Interest payable and similar expenses		**212**	434
Loss on sale of fixed assets		**5**	11
Corporation tax reclaimed in respect of prior periods		**74**	137
Corporation tax paid in the period		**(31)**	-
		1,371	2,157
Decrease / (increase) in trade and other debtors		**578**	434
Increase / (decrease) in trade and other creditors		**446**	(1,171)
Taxation		**(244)**	(20)
Cash contributions to defined benefit pension scheme		**(1,304)**	(1,080)
Net cash from operating activities		**847**	320
Cash flows from investing activities			
Development expenditure		**(158)**	(256)
Acquisition of tangible fixed assets		**(294)**	(187)
Interest received		**30**	17
Net cash from investing activities		**(422)**	(426)
Cash flows from financing activities			
Loans repayments from associated undertakings		**438**	154
Net cash from financing activities		**438**	154
Net increase in cash and cash equivalents	*21*	**863**	48
Cash and cash equivalents at beginning of year		**12,463**	12,415
Cash and cash equivalents at end of year		**13,326**	12,463

The notes on pages 20 to 51 form part of these financial statements.

Consolidated statement of changes in Equity

	Capital reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	19	(8,489)	(8,470)
Total comprehensive income for the year			
Profit	-	968	968
Other comprehensive income	-	9,042	9,042
Balance at 31 December 2018	19	1,521	1,540

	Capital reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	19	1,521	1,540
Total comprehensive income for the year			
Profit	-	527	527
Other comprehensive loss	-	(1,581)	(1,581)
Balance at 31 December 2019	**19**	**467**	**486**

Company statement of changes in Equity

	Capital Reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	19	(8,581)	(8,562)
Total comprehensive income for the year			
Profit	-	845	845
Other comprehensive income	-	9,042	9,042
Balance at 31 December 2018	19	1,306	1,325

	Share Capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	19	1,306	1,325
Total comprehensive income for the year			
Profit	-	568	568
Other comprehensive loss	-	(1,581)	(1,581)
Balance at 31 December 2019	19	293	312

The notes on pages 20 to 51 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

British Horseracing Authority Limited (the "Company") is a private company limited by guarantee and incorporated, registered and domiciled in the UK. The registered number is 02813358 and the registered office is 75 High Holborn, London, WC1V 6LS.

The Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time; and
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 16 in relation to the fair value assessment of financial instruments.

Measurement convention

The financial statements are prepared on the historical cost basis with the exception of certain financial instruments which have been measured at fair value.

Going concern

The UK onset of the COVID-19 pandemic in March 2020 has caused a significant impact on the UK and global economy and until such time as either therapeutic drug treatments or a vaccine is mass produced and readily available, the uncertainty brought about by ongoing lockdown measures creates ongoing uncertainty and challenges for the UK economy. The British Horseracing Authority, as the Governing and Regulatory body responsible for Horse Racing in the UK, is not immune from these issues.

The Company's revenue streams have been profoundly impacted by the temporary cessation of Racing in all its forms and, with the prospect of an extended period of phased reintroduction and the ensuing impacts on the 2020 racing programme, will need to continue to adapt accordingly.

1 Accounting policies *(continued)*

Going concern *(continued)*

From a financial reporting perspective, the Directors are required to make an assessment over the appropriateness of using the going concern assumption in preparing these financial statements. The Directors have produced cash flow forecasts to support their conclusions.

The Company's revenue streams are reliant on the activities of the wider Horse Racing industry and specifically racing taking place. At the time of issue of these financial statements, racing had been suspended for a period approaching two and a half months but resumed behind closed doors on 1 June 2020 when the COVID-19 threat level fell and government advice allowed its resumption.

Throughout the period where racing was unable to take place, various resumption of racing scenarios were modelled and as such we were able to be one of the first sports in the UK to resume. Many impacted pattern races were able to be rescheduled and all of the impacted classics rearranged. This was important to protect the health of the breed longer term.

We understand the impact arising from the pandemic is much wider than on the Company alone and many sectors of the industry continue to struggle financially. The environment is continuously changing and, as such, projecting when racing will return to normal, and what this new normal will look like longer term, is challenging.

However, so long as Horse Racing remains a sport within the UK, there will be a requirement for a governing and regulatory body, and so in all scenarios we anticipate the Company will, in all likelihood, adapt its cost base to fit with a revised structure of the sport until such time as things can return to normal.

Through the period of lockdown, the Company's main sources of incomes, services to racecourse operators, owners and other participants as well as other commercial income were significantly reduced. However, to date it has been possible to significantly reduce a number of operational costs, with a high proportion of staff temporarily furloughed through the Coronavirus Job Retention Scheme, as well as stopping all non-essential activity and seeking the support of major suppliers to reduce costs.

Even allowing for this, the company is expected to be loss making for the period over which racing was suspended and will likely remain loss making through much of the phased reintroduction. Based on the phased reintroduction from 1 June 2020 we anticipate losses of circa £1.5m-£2m in 2020 for the Company. However, with the significant financial and operational adjustments, including cost reduction activities described above, coupled with a viable normalised business model and healthy group balance sheet carried forward from 2019 (£13.3m cash, albeit with £6.6m of this ring-fenced, and £7.8m net assets), forecasts show that the Group and Company will remain solvent in the meantime and a gradual return to the Group's and Company's previous financial position is expected in the medium/long term as the Company and the sport rebuilds.

However, if further economic or industry wide setbacks occur, and the impacts of Covid-19 exceed the Board's assumptions set out above, additional action will be required to ensure appropriate reserves are maintained.

Notwithstanding the uncertainty above, the directors believe their current assumptions are reasonable and include appropriate contingencies, and that they have taken all reasonable steps to secure the Company's financial position, and therefore it is appropriate to continue to prepare the financial statements on a going concern basis.

1 Accounting policies *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2019.

A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Company does not own all the shares in its subsidiary, British Horseracing Database Limited ('BHD'), with the minority shareholders holding 3 'B' and 3 'C' shares each, compared to the Company's holding of 4,003,932 'A' shares. No minority interests are shown in the consolidated accounts of the Company as (i) under the provisions contained within the Articles of BHD the 'A' shareholder is the only shareholder entitled to a distribution, if and when a distribution is declared by the Board and (ii) on a winding up the assets are distributed in accordance with the number of shares held in all classes.

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significance influence is presumed to exists when the investors holds between 20% and 50% of the equity voting rights.

A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

In the parent financial statements, investments are carried at cost less impairment.

Intangible and tangible fixed assets

The cost of intangible and tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Assets under construction relates to work in progress on computer related development. This will be amortised/depreciated once it comes into use on the basis set out below. Internally generated intangible assets relate to computer development on new systems and are capitalised based upon asset cost including the staff costs of the internal development team calculated on an hourly basis.

Intangible assets are also reviewed for impairment and the assets determined to have positive future benefit which is in excess of their net book value.

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

Leasehold improvements	3-5 years or lease term, if shorter
Contract computer development	7 years
Other computer development	4 years
Fixtures fittings and office equipment	3-5 years
Intangible assets	3-5 years

The Company holds a licence for use of the Database of pre-race data for governance and regulatory purposes. In accordance with FRS 102, no amounts have been capitalised in the balance sheet in respect of these rights. The cost of acquiring this asset is written off to the profit and loss account as incurred.

1 Accounting policies *(continued)*

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.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss

Investments in subsidiaries, jointly controlled entities and associates

These are separate financial statements of the company. Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an initial term of less than 3 months. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

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.

Reserves

The group's and company's reserves are as follows:

- Capital reserve represents the amounts that the members guarantee to contribute towards the debts of the company
- Profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

1 Accounting policies *(continued)*

Turnover

Turnover, which excludes value added tax ('VAT'), represents the invoiced value of goods and services supplied in connection with the administration of horseracing in Great Britain. The Company's income is invoiced and recognised when these services are delivered to racecourses and other participants.

In addition, included within Group turnover are amounts (excluding VAT) derived from income from signed licence agreements with third parties. The licence income streams derived by the Group are recognised in the period they relate to.

Interest receivable and interest payable

Other interest receivable and similar income include interest receivable on funds invested. Interest income is recognised in the profit or loss as it accrues.

Interest payable and similar expenses include interest payable, and net interest expenses in relation to pension scheme assets and liabilities. Interest payable is recognised in profit or loss as it accrues.

Related party disclosure

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 22 to the financial statements.

Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

1 Accounting policies *(continued)*

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense/income on the net defined benefit liability/asset for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/asset taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of, the entity's obligations. A valuation is performed triennially by a qualified actuary and the position updated annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit scheme assets and liabilities are recognised in other comprehensive income in the period in which they occur.

Termination benefits

Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Notes *(continued)*

1 Accounting policies *(continued)*

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determining whether leases are operating or finance leases based upon whether the risks and rewards of ownership have been transferred from the lessor to the lease on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's fixed assets. Factors taken into consideration include the economic viability and expected future financial performance of the assets and its ability to continue to be of use to the company's business activities.

Other key sources of estimation uncertainty

- Intangible and Tangible fixed assets (notes 10 and 11)

Tangible and intangible fixed assets are depreciated over their useful economic lives taking into account any residual values where appropriate. The useful economic lives are assessed at time brought into use, and reviewed at each year end to determine if these assumptions have changed. Any intangibles which do not generate future cash flows or are not in use by the business are written off.

The creation of certain intangible assets is based upon costs of the IT development staff involved, the hours completed on a project and the hourly rate of pay. No additional management time is included in the capitalised costs. Given there is no formal timesheet system, this calculation requires judgement.

- Defined benefit pension scheme (note 17)

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future levels of inflation, mortality and investment returns. Due to the complexity of the valuation, the underlying assumptions and the long term nature of the liabilities, such estimates are subject to significant uncertainty. The discount rate is determined using appropriate corporate bonds as specified under FRS102, the mortality rates are based upon mortality tables and the future rates of inflation are based upon market conditions and expectations.

- Taxation, including deferred taxation (note 9)

The taxation charge and related provision for corporation tax relies upon a series of estimates and judgements regarding disallowable items and reliefs. It also uses estimates for likely research and development tax credits which are estimated based upon research spend and the anticipated amount which will be exchanged for cash. This is shown as deferred tax.

Deferred tax assets are only recognised to the extent that these are expected to be offset against future taxable profits. Significant management judgement is exercised in determining the level of tax assets that can be recognised, taking into account future forecasts and likely R&D credits, with a prudent approach taken should their existence not be considered probable.

- Debtors, specifically loans (note 13)

The group holds two loans which require judgement. Their future recoverability is determined through viewing payment compliance versus agreed payment dates and loanee's future business model and financial forecasts. Where sufficient uncertainty exists, a provision is made. Judgement is also required in determining the fair value of the loan which is calculated using appropriate assessments of comparable market rates.

Notes *(continued)*

2 Segmental information – Group and Company

	Racing administration 2019 £000	Commercial 2019 £000	Total 2019 £000
Turnover			
United Kingdom and Republic of Ireland	34,212	3,329	37,541
Total sales - Group	**34,212**	**3,329**	**37,541**
Intra group revenue (Company only)	**686**		
Total sales - Company	**34,898**		
Total operating profit / (loss) before interest and taxation	**502**	**(134)**	**368**
Net assets	**411**	**75**	**486**

	Racing administration 2018 £000	Commercial 2018 £000	Total 2018 £000
Turnover			
United Kingdom and Republic of Ireland	34,701	1,899	36,600
Total sales – Group	34,701	1,899	36,600
Subsidiary racing administration revenue	(645)		
Intra group revenue (Company only)	358		
Total sales - Company	34,414		
Total operating profit before interest and taxation	1,212	53	1,265
Net assets / (liabilities)	1,979	(439)	1,540

The Group has two classes of business, commercial (operated via a subsidiary) and racing administration, both of which originate in the UK. It is not possible to split the operating profit before interest and taxation or the net assets / liabilities by geographical destination.

Notes *(continued)*

3 Remuneration of directors and key management

The remuneration payable to each of the directors of British Horseracing Authority Limited for the year was:

	2019	2018
	£000	£000
NJ Rust	**434**	394
A Phelps	**58**	-
SR Harman	**-**	86
AWK Merriam	**27**	27
DL Whyte	**27**	27
JW Saumarez Smith	**27**	27
AS Duncan	**57**	37
JA Harrington	**5**	22
EN Harwerth	**14**	27
JR Arnold	**27**	27
Sir Paul R Stephenson	**35**	35
MAM Carver	**22**	-
DJ Armstrong	**24**	-
NG Cooper	**20**	-
LM Cumani	**7**	-
VA Currie	**3**	27
Total	**787**	736

The costs of NJ Rust, who was Chief Executive, are also represented within the costs included in note 4.

	Number of directors	
	2019	2018
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 £434,000 (*2018: £394,000*), and Company pension contributions of £10,000 (*2018: £15,910*) were made to a money purchase scheme on his behalf.

Key management personnel compensation for the group for the year which includes the total costs of the Board plus Executive team was £2,683,000 *(2018: £2,411,000).*

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the Company is shown below:

	Group and Company		Company*	
	2019	2018	**2019**	2018
	Number	Number	**Number**	Number
Directors	**11**	11	**10**	10
Permanent staff	**269**	253	**256**	240
Sessional staff	**16**	18	**15**	17
	296	282	**281**	267

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Wages and salaries	**12,810**	11,692	**12,277**	11,182
Pension costs	**1,465**	1,357	**1,407**	1,312
Social security costs	**1,440**	1,285	**1,371**	1,229
	15,715	14,334	**15,055**	13,723

All staff in the group are employed by the company, however their costs are allocated between the company and Great British Racing Limited depending upon the activities they perform. To provide clarity to the reader, the number of employees of BHA whose costs are included in BHA are shown under Company* and the number of staff employed by BHA including those whose costs are recharged elsewhere are shown in Group and Company.

5 Operating profit - Group

	2019	2018
	£000	£000
Included in operating profit are the following:		
Depreciation/amortisation charge for the year:		
Tangible owned fixed assets	**292**	294
Intangible owned fixed assets	**419**	430
Loss on disposal of fixed assets	**5**	11
Operating leases:		
Building rentals	**824**	867
Car leases	**403**	382
Photocopier leases	**41**	40
Impairment and write off of debtor balances	**110**	171

Auditor's remuneration:

Audit of these financial statements	**43**	42
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the company	**12**	12
Taxation compliance services	**-**	-
Other tax advisory services	**-**	-
All other services	**-**	-

Notes *(continued)*

6 Interest on loans receivable - Group

	2019	2018
	£000	£000
Effective interest on fair value of BCS loan	**64**	64
Contractual interest on BCS loan	**33**	36
	97	100

7 Other interest receivable and similar income - Group

	2019	2018
	£000	£000
Bank interest	**30**	17
	30	17

Other interest receivable and similar income - Company

	2019	2018
	£000	£000
Bank interest	**25**	14
	25	14

8 Interest payable and similar expenses – Group and Company

	2019	2018
	£000	£000
Interest on assets	**(1,929)**	(1,820)
Interest on liabilities	**2,141**	2,254
Net interest expense on net defined benefit liabilities	**212**	434

Notes *(continued)*

9 Taxation - Group

	2019	2018
	£000	£000
Analysis of current tax recognised in profit and loss		
UK corporation tax at 19% *(2018:19%)*		
Current tax		
Tax on profit for the year	**1**	43
Adjustment in respect of prior periods	**(2)**	(7)
Total current tax	**(1)**	36
Deferred tax credit for the year	**(243)**	(56)
Total tax credit	**(244)**	(20)

Reconciliation of effective tax rate

	2019	2018
	£000	£000
Profit excluding taxation	**283**	948
Tax using the UK corporation tax rate of 19% *(2018:19%)*	**54**	180
Effects of:		
Expenses not deductible for tax purposes	**59**	98
Pension costs not immediately deductible	**(207)**	(123)
R&D tax credits to offset trading profits	**-**	(112)
R&D tax credits exchanged for cash	**(160)**	(56)
(Over) / under provided in prior year	**(2)**	(7)
Capital allowances in excess of depreciation	**12**	-
Total tax credit (see above)	**(244)**	(20)

The Company has claimed R&D tax credits for 2018 which were exchanged for cash. This amount of £55,000 (2018: £47,000) was received in February 2020. The Group will continue to seek to claim these going forward, where appropriate, and will include an appropriate amount in determining the current year tax charge, both in offsetting trading profits but also as a cash-in value. Claims in respect of 2019 have been accrued in the 2019 tax computation.

Factors that may affect future tax charges:
A deferred tax asset of £243,000 *(2018: £56,000)* has been recognised in the balance sheet in respect of anticipated R&D credits. In addition, £1,264,000 *(2018: £1,193,000)* has not been recognised on the Group's pension scheme liability. This is due to the uncertainty of there being sufficient taxable profits in future years to enable such tax deductions to be claimed. There are also unrecognised trading losses of £383,000 *(2018: £383,000)* which again are unable to be recognised due to insufficient taxable profits in future to use them against.

Reductions in the UK corporation tax rate to 19% (effective 1 April 2017) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. Further proposals to revert back to 19% in future periods in the 2020 budget are not yet substantively enacted, therefore 17% remains relevant for deferred tax purposes as at 31 December 2019. Given the Company's expectation that it will continue to make small taxable profits, the impact of a reduction in future corporation rates is expected to be minimal.

Notes *(continued)*

9 Taxation - Company

	2019 £000	2018 £000
Analysis of current tax recognised in profit and loss		
UK corporation tax at 19% *(2018:19%)*		
Current tax		
Adjustment in respect of prior years	-	(11)
Total current tax	-	(11)
Deferred tax credit for the year	**(243)**	(56)
Total tax credit	**(243)**	(67)

	2019 £000	2018 £000
Reconciliation of effective tax rate		
Profit excluding taxation	**325**	778
Current tax at 19 % (*2018:19 %)*	**62**	148
Effects of:		
Expenses not deductible for tax purposes	**49**	86
Pension costs not immediately deductible	**(207)**	(123)
R&D tax credits to offset trading profits	-	(112)
R&D tax credits exchanged for cash	**(160)**	(56)
(Over) / under provided in prior year	-	(11)
Capital allowances in excess of depreciation	**13**	1
Total tax credit (see above)	**(243)**	(67)

The Company has claimed R&D tax credits for 2017 which were exchanged for cash. This amount of £55,000 (2018: £47,000) was received in February 2020 and was in line with the amount than previously provided. There is therefore no adjustment in respect of prior year. The Company will continue to seek to claim these going forward, where appropriate, and will include an appropriate amount in determining the current year tax charge, both in offsetting trading profits but also as a cash-in value. Claims in respect of 2019 have been accrued in the 2019 tax computation.

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A deferred tax asset of £243,000 *(2018: £56,000)* has been recognised in the balance sheet in respect of anticipated R&D credits. In addition, £1,264,000 *(2018: £1,193,000)* has not been recognised on the Company's pension scheme liability. This is due to the uncertainty of there being sufficient taxable profits in future years to enable such tax deductions to be claimed. There are also unrecognised trading losses of £383,000 *(2018: £383,000)* which again are unable to be recognised due to insufficient taxable profits in future to use them against.

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Notes *(continued)*

10 Intangible fixed assets – Group and Company

	Development costs £000	Assets under construction £000	Total £000
Cost			
At 1 January 2019	2,551	-	2,551
Additions	158	-	158
At 31 December 2019	**2,709**	**-**	**2,709**
Amortisation			
At 1 January 2019	1,599	-	1,599
Charge for the year	419	-	419
At 31 December 2019	**2,018**	**-**	**2,018**
Net book value			
At 31 December 2019	**691**	**-**	**691**
At 1 January 2019	952	-	952

These costs relate to racing specific software and system development commissioned from third parties or developed internally and are either amortised over 4 years for external development or over the remaining life of the contract to which the development relates. This method of amortisation is believed to be fair and appropriate and represent the useful economic life of the asset in the most appropriate manner. The amortisation charge is included with administrative expenses.

Notes *(continued)*

11 Tangible fixed assets – Group

	Leasehold improvements £000	Fixtures, fittings and office equipment £000	Total £000
Cost			
At 1 January 2019	1,265	1,986	3,251
Additions	24	270	294
Disposals	-	(149)	(149)
At 31 December 2019	**1,289**	**2,107**	**3,396**
Depreciation			
At 1 January 2019	1,195	1,341	2,536
Charge for the year	64	228	292
Disposals	-	(144)	(144)
At 31 December 2019	**1,259**	**1,425**	**2,684**
Net book value			
At 31 December 2019	**30**	**682**	**712**
At 1 January 2019	70	645	715

Tangible fixed assets –Company

	Leasehold improvements £000	Fixtures, fittings and office equipment £000	Total £000
Cost			
At 1 January 2019	1,265	1,961	3,226
Additions	24	263	287
Transfers	-	-	-
Disposals	-	(149)	(149)
At 31 December 2019	**1,289**	**2,075**	**3,364**
Depreciation			
At 1 January 2019	1,195	1,325	2,520
Charge for the year	64	221	285
Disposals	-	(144)	(144)
At 31 December 2019	**1,259**	**1,402**	**2,661**
Net book value			
At 31 December 2019	**30**	**673**	**703**
At 1 January 2019	70	636	706

Notes *(continued)*

12 Fixed asset investments - Company

	Shares in Group Undertakings £000	Total £000
Cost		
At 1 January and 31 December 2019	4,004	4,004
Provision		
At 1 January 2019	(548)	(548)
Impairment charge for the year	-	-
At 31 December 2019	(548)	(548)
Net book value		
At 31 December 2019	**3,456**	**3,456**
At 1 January 2019	**3,456**	**3,456**

The Company has the following direct investments:

	Country of incorporation	Number of shares	Class of shares held	Ownership 2019 %	Ownership 2018 %
British Horseracing Database Limited	UK	4,003,932	Ordinary	99.99985%	99.99985%
British Horseracing Limited*	UK	2	Ordinary	100%	100%
British Horseracing Board Limited*	UK	2	Ordinary	100%	100%
Racing For All*	UK	2	Ordinary	100%	100%
Horseracing Regulatory Authority Limited*	UK	1,000	Ordinary	100%	100%

The four companies marked with * are all dormant companies and no longer trade. All of the above companies have their registered office at 75 High Holborn, London, WC1V 6LS.

The Company has the following indirect investments through its subsidiaries:

	Country of incorporation	Number of shares	Class of shares held	Ownership 2019 %	Ownership 2018 %
Great British Racing Limited (formerly Racing Enterprises Limited)	UK	4,003,831	Ordinary	100%	100%
British Champions Series Limited	UK	150	Ordinary	15.0%	15.0%

All of the above companies have their registered office at 75 High Holborn, London, WC1V 6LS.

Notes *(continued)*

13 Debtors

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Trade debtors	**2,179**	2,952	**2,179**	2,952
Amounts owed by group undertakings	**-**	-	**449**	282
Corporation tax asset	**57**	74	**56**	47
Deferred tax asset	**243**	56	**243**	56
Other debtors	**2,919**	2,837	**2,919**	2,837
VAT	**57**	-	**-**	-
Loan owed by BCS Limited	**1,756**	2,022	**-**	-
Prepayments and accrued income	**1,553**	1,572	**1,190**	1,366
	8,764	9,513	**7,036**	7,540
Due within one year	**7,130**	7,798	**6,793**	7,484
Due after one year	**1,634**	1,715	**243**	56
	8,764	9,513	**7,036**	7,540

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The above loan balance of £1,756,000 represents an amount drawn down by BCS Limited. This loan will be repaid between 1 January 2016 and 31 December 2025 over which time interest of £486,000 will have been earned. The interest rate charged varies according to which element of the loan it relates to and in accordance with FRS102 using the effective interest method, £97,000 is recognised in 2019, with £33,000 being contractual interest and £64,000 being the unwinding of the 'top-up' fair value discount applied to the loan. The next repayment of £365,000 is scheduled for December 2020 at which stage a further £85,000 of total interest will be recognised. £743,000 has been repaid to date.

The loan to BCS Limited is stated at fair value calculated using a market rate 'top-up' discount over and above the interest rate implicit in the loan agreement based upon the timing and value of the repayments. All other financial instruments are held at amortised cost as they are repayable on demand.

14 Cash – Group and company

Included within the group cash balance of £13,326,000 *(2018: £12,463,000)* and company cash balances of £11,211,000 *(2018: £10,504,000)* are ring fenced balances of £6,636,000 *(2018: £5,567,000)*.

Notes *(continued)*

15 Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Trade creditors	**2,078**	2,145	**1,848**	2,002
Amount owed to group undertakings	**-**	-	**78**	68
Corporation tax	**2**	33	**-**	-
Other taxes and social security	**875**	744	**867**	660
Other creditors	**10,572**	10,290	**10,512**	10,212
Accruals and deferred income	**764**	664	**764**	664
	14,291	13,876	**14,069**	13,606

16 Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Assets measured at amortised cost	**20,180**	20,274	**16,758**	16,575
Liabilities measured at amortised cost	**12,816**	12,749	**12,604**	12,596

Financial assets measured at amortised cost comprise cash at bank, trade debtors, amounts owed by group undertakings, other debtors and loan owed by BCS Limited.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed by group undertakings, other creditors and accruals.

All of the Group's financial assets, with the exception of the loan from GBR to BCS, are repayable on demand. Similarly all financial liabilities are payable on demand.

In relation to the loan from GBR to BCS the fair value has been determined using a discount rate of 4.82% which is believed to be a reasonable reflection of the market rate of interest.

The directors believe that there is minimal credit risk given the success of BCS and unless the next repayment in 2020 is not made in accordance with the repayment plan then it will continue to take a positive view of the recoverability and therefore fair value of this loan going forward.

Notes *(continued)*

17 Pension scheme

Overview

The Company operates a pension scheme for its employees, the British Horseracing Authority Pension Scheme ('the Scheme'). The Scheme has two sections, a Defined Benefit ('DB') section and a Defined Contribution ('DC') section. The DC section is also used for the purposes of auto enrolment.

Defined Benefit Section

The DB section was closed to future accrual on 31 December 2015. Prior to this, the DB section has been based upon career average revalued earnings.

The latest full actuarial valuation of the DB section of the Scheme was carried out at 31 December 2017 and was updated for FRS 102 purposes to 31 December 2019 by a qualified independent actuary.

The company will contribute £1,331,000 as an annual deficit repair payment in 2020 increasing by 2% p.a. and has a recovery plan agreed with the trustees of the Scheme that is in place until May 2026.

The trustees of the Scheme have a guarantee from the Horserace Betting Levy Board ('HBLB') that if the BHA 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 30 September 2024 or the date at which the Scheme deficit using the 2007 actuarial assumptions has been fully paid off.

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.

Net pension liability	**Value at 31 December 2019 £000**	Value at 31 December 2018 £000
Defined benefit obligation	**(85,772)**	(78,048)
Plan assets	**77,056**	69,821
Deficit	**(8,716)**	(8,227)
Related deferred tax asset	**-**	-
Net pension liability	**(8,716)**	(8,227)

Notes *(continued)*

17 Pension scheme *(continued)*

Movements in present value of defined benefit obligation:

	Value at 31 December 2019 £000	Value at 31 December 2018 £000
At start of year	**78,048**	91,576
Current service cost	**-**	-
Past service cost	**-**	78
Interest cost	**2,141**	2,254
Actuarial losses / (gains) due to assumption changes	**9,195**	(8,828)
Experience (gain) / loss	**(434)**	(4,152)
Contributions by members	**-**	-
Benefits paid	**(3,178)**	(2,880)
At end of year	**85,772**	78,048

Movements in fair value of plan assets:

	Value at 31 December 2019 £000	Value at 31 December 2018 £000
At start of year	**69,821**	73,661
Interest on assets	**1,929**	1,820
Actuarial gain / (loss) on scheme assets	**7,180**	(3,938)
Contributions by employer	**1,304**	1,158
Contributions by members	**-**	-
Benefits paid	**(3,178)**	(2,880)
At end of year	**77,056**	69,821

Expense recognised in the profit and loss account:

	31 December 2019 £000	31 December 2018 £000
Current service cost	**-**	-
Past service cost	**-**	78
Net interest on net defined benefit liability	**212**	434
Total expense recognised in profit and loss	**212**	512

The total amount recognised in other comprehensive income is a loss of £1,581,000 *(2018: gain* of *£9,042,000*).

Cumulative actuarial losses reported in other comprehensive income for accounting periods ending on or after 22 June 2002, are losses of £14,964,000 *(2018*: *£13,383,000*).

Notes *(continued)*

17 Pension scheme *(continued)*

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, were:

	Value at 31 December 2019 £000	Value at 31 December 2018 £000
Equities and other return seeking assets	**18,303**	17,210
Bonds and other defensive assets	**55,826**	49,519
Property	**2,767**	2,442
Cash	**150**	640
Annuity	**10**	10
Total market value of assets	**77,056**	69,821
Actual return on plan assets	**9,109**	(2,118)

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

	31 December 2019	31 December 2018
Discount rate	2.00%	2.80%
Inflation (Consumer Price Index)	2.40%	2.80%
Inflation (Retail Price Index)	3.20%	3.60%
Pension increase (RPI max 5%)	3.10%	3.40%
Pension increase (RPI max 2.5%)	2.20%	2.30%
Pension increase (CPI max 2.5%)	1.90%	2.10%

In valuing the liabilities of the pension fund at 31 December 2019, mortality assumptions have been made as indicated below.

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: 22.5 years (male), 24.5 years (female). (2018: 22.4 years (male), 24.4 years (female))
- Future retiree, currently aged 45, upon reaching 65: 23.9 years (male), 26.0 years (female). (2018: 23.8 years (male), 25.9 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)*

17 Pension scheme *(continued)*

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

	2019	2018	2017	2016	2015
	£000	£000	£000	£000	£000
Present value of scheme liabilities	**(85,772)**	(78,048)	(91,576)	(87,776)	(72,126)
Fair value of scheme assets	**77,056**	69,821	73,661	71,363	59,325
Deficit	**(8,716)**	(8,227)	(17,915)	(16,413)	(12,801)

Experience adjustments:

	Year ending 31 December 2019	Year ending 31 December 2018	Year ending 31 December 2017
Difference between the expected and actual return on scheme assets – gain/(loss):			
Amount (£000)	**7,180**	(3,938)	2,656
Percentage of year end scheme assets	**9%**	6%	4%
Experience gains and (losses) on scheme liabilities:			
Amount (£000)	**434**	4,152	(757)
Percentage of year end scheme liabilities	**0.5%**	5.3%	0.8%
Total amount recognised in other comprehensive income – gain/(loss):			
Amount (£000)	**(1,581)**	9,042	(2,217)
Percentage of year end scheme liabilities	**1.8%**	11.5%	2%

The DB element of the scheme was closed to future accrual on 31 December 2015 and therefore from 2016 onwards, the only contributions being paid into this section relate to the agreed deficit repair contributions at the rates recommended by the Scheme Actuary. Cash contributions to the DB element amounted to £1,304,000 to the Scheme in 2019 *(2018: £1,158,000)*.

Analysis of amount recognised in other comprehensive income

	Year ending 31 December 2019 £000	Year ending 31 December 2018 £000	Year ending 31 December 2017 £'000
Actuarial (loss) / gain on scheme assets	**7,180**	(3,938)	2,656
Changes in actuarial assumptions	**(9,195)**	8,828	(4,116)
Experience gains / (losses)	**434**	4,152	(757)
Actuarial gain / (loss) recognised in other comprehensive income	**(1,581)**	9,042	(2,217)

Notes *(continued)*

17 Pension scheme *(continued)*

Analysis of amount recognised in other comprehensive income (continued)

	Year ending 31 December 2016 £'000	Year ending 31 December 2015 £'000
Actuarial (loss) / gain on scheme assets	10,869	(2,396)
Changes in actuarial assumptions	(15,535)	3,758
Experience (losses) / gains	318	(3,147)
Actuarial (loss) / gain recognised in other comprehensive income	(4,348)	(1,785)

Defined contribution section

The Company's contribution to the defined contribution scheme is charged to the profit and loss account in the period in which they are paid and amounted to £1,406,795 in 2019 *(2018: £1,311,987)*.

The amount payable to the pension fund as at 31 December 2019 was £242,000 *(2018: £214,000).*

In addition the Company paid £23,000 into the personal pension schemes of certain employees *(2018: £23,000)*.

18 Contingent Liabilities

In 2016, organisations representing British Racing entered into three year authorised betting partner agreements with a number of on-line betting operators. Under these agreements payments were paid to the Horserace Betting Levy Board.

Three of these agreements included a rebate clause, to be facilitated by Racing, which came into force should certain events occur. As at the balance sheet date, in the view of the directors there was no legal obligation on the Company to directly make good these rebate claims and therefore no provision is reflected in these financial statements, and, whilst the ultimate settlement of these claims was a matter of ongoing discussions between the organisations representing British Racing and the Horserace Betting Levy Board (HBLB), the level of any British Horseracing Authority contribution to a settlement, if any, could not be reliably quantified.

Subsequent to the balance sheet date, there have been further developments in relation to the authorised betting partner agreements whereby 'Racing' (of which BHA is one of three mutual parties along with RCA and HG) have indicated that £3.7m is due to two of the partners. As a sport, Racing and the HBLB continue to establish how best to settle this amount including each party's appropriate contribution.

19 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.

Notes *(continued)*

20 Commitments

The Group has a contract with Weatherbys Thoroughbred Limited for the provision of substantial racing and general administration services which is on a rolling three year notice period, as yet notice has not been served.

At 31 December 2019 the Group and Company had commitments under non-cancellable operating leases as follows:

	2019		2018	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Expiring:				
Within one year	**272**	**60**	852	322
Between one and five years inclusive	**106**	**720**	280	410
Over five years	**119**	**-**	-	-
	497	**780**	1,132	732

The lease commitments included in other relate to motor cars.

21 Net debt reconciliation

	At 1 January 2019	**Cash flow**	**At 31 December 2019**
	£000	£000	£000
Cash at bank and in hand	6,122	(208)	5,914
Ring fenced cash	5,567	1,069	6,636
Short term deposits	774	2	776
Net debt	12,463	863	13,326

Notes *(continued)*

22 Related party transactions

Identity of related parties with which the Company has transacted

The company has transacted with the following related parties, all of which are related by virtue of one of their employees/appointments/directors being a member of the Board of the Company, or as a member body of the Company.

- Racecourse Association Limited
- Racecourse Technical Services Limited
- Racehorse Owners Association Limited
- Thoroughbred Breeders Association
- National Trainers Federation
- Horsemen's Group
- British Champions Series Limited
- The Hamilton Park Racecourse Company Limited
- Point to Point Authority Limited
- Retraining of Racehorses Limited
- Racing to School Limited
- Jockey Club Racecourses Limited
- Jockey Club Estates
- Racing Welfare
- British Horseracing Database Limited
- Great British Racing Limited
- Crimestoppers Enterprises Limited
- Horserace Betting Levy Board
- British Racing School

Notes *(continued)*

22 Related party transactions *(continued)*

Other related party transactions

	Sales and recharges to		Administrative expenses incurred from	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Racecourse Association Limited	**14**	19	**1**	-
Racecourse Technical Services Limited	**-**	-	**244**	-
Racehorse Owners Association Limited	**120**	76	**-**	-
Thoroughbred Breeders Association	**66**	64	**-**	-
Fakenham Racecourse Limited	**196**	190	**-**	-
The Hamilton Park Racecourse Company Limited	**-**	263	**-**	-
National Trainers Federation	**1**	1	**-**	1
Horsemen's Group	**-**	-	**-**	(75)
Point to Point Authority Limited	**191**	120	**-**	-
Retraining of Racehorses Limited	**300**	333	**1**	-
Racing to School Limited	**405**	433	**1**	-
Jockey Club Racecourses Limited	**5,289**	5,121	**21**	25
Jockey Club Estates	**-**	2	**2**	6
Racing Welfare	**1**	2	**10**	5
Horserace Betting Levy Board	**626**	-	**-**	-
Great British Racing Limited	**1,277**	911	**50**	-
British Horseracing Database Limited	**5,471**	5,312	**5,471**	5,327
Crimestoppers Enterprises Limited	**-**	-	**11**	9
British Racing School Limited	**4**	-	**111**	-
British Champions Series Limited	**722**	489	**-**	-
	14,683	13,336	**5,923**	5,298

Notes *(continued)*

22 Related party transactions *(continued)*

	Receivables outstanding		Creditors outstanding	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Racecourse Association Limited	**7**	8	**1**	-
Racecourse Technical Services Limited	**-**	-	**44**	**-**
Racehorse Owners Association Limited	**31**	5	**-**	**-**
Thoroughbred Breeders Association	**-**	1	**-**	-
The Hamilton Park Racecourse Company Limited	**-**	-	**-**	-
National Trainers Federation	**-**	-	**-**	1
Horsemen's Group loan	**125**	200	**-**	-
Horsemen's Group loan provision	**(125)**	(125)	**-**	-
Point to Point Authority Limited	**40**	-	**-**	-
Retraining of Racehorses Limited	**371**	333	**-**	-
Racing to School Limited	**105**	110	**-**	-
Jockey Club Racecourses Limited	**8**	7	**-**	1
Jockey Club Estates	**-**	-	**-**	-
Racing Welfare	**-**	-	**-**	-
Horserace Betting Levy Board	**74**	39	**-**	-
Great British Racing Limited	**443**	282	**60**	-
British Horseracing Database Limited	**6**	-	**18**	68
Crimestoppers Enterprises Limited	**-**	-	**-**	-
British Racing School Limited	**-**	-	**12**	-
British Champions Series Limited	**1,849**	2,181	**26**	-
	2,934	3,041	**161**	70

Notes *(continued)*

23 Post Balance Sheet Events

Events after the balance sheet date

Subsequent to the year end, and as discussed in note 1 to these financial statements: Accounting policies - Going concern, the onset of the Covid-19 pandemic has had a profound impact on the company, group and wider UK economy. In accordance with FRS102, this is considered to be a non-adjusting event after the end of the reporting period that is not indicative of conditions that existed at the end of the reporting period.

The board has considered the existence of material impact on assets and liabilities of the business as reported as at the balance sheet date. In general, core operating assets are considered not to be subject to material impairments as a result of COVID-19.

In light of the Covid-19 pandemic we have assessed the likely impact on the assets and liabilities of the pension scheme at a headline level. Whilst c.£18m of the c.£77m assets at year end were invested in equities, the significant diversification of the overall portfolio and considerable level of liability hedging in place mean as at 29 June 2020 the assets of the scheme had increased to £82.7m. Using real time modelling information we estimate that liabilities have increased between 9%-10% in the same period, as gilt rates, and therefore discount rates, reduced. Overall, the deficit, whilst likely to have increased is unlikely to be materially different. Management are of the view that, at this time, the net impact is not material to the group.