BRITISH HORSERACING AUTHORITY

# 2020

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

Registered number 02813358
31 December 2020

# CHIEF EXECUTIVE'S FOREWORD

This is my first annual report on the work of the BHA after arriving as Chief Executive on 4 January 2021. Those nine months have continued to be dominated by COVID, navigating government roadmaps back towards full attendances at race meetings whilst protecting the health and safety of all those who work in our industry.

Much of what I'll say here reflects the BHA's role in coordinating the industry's response to COVID. But before I go any further, I want to say a huge thank-you first to all our of our staff, full and part-time and our volunteer stewards, for the hard work, resilience and flexibility you've shown over the past 18 months. You truly are passionate people who care deeply about racing and you should be very proud of what you've achieved.

As with last year, we have decided not to compile the normal full Annual Report given the need to focus on returning racegoers to our courses, restoring our revenues and planning for recovery. It also allows us to present an up-to-date account of the work of the BHA over the past year.

For audit purposes and transparency, we are, of course, publishing our annual results and consolidated financial statements for 2020, which are contained within this document, along with a commentary on the accounts. You will see a 'Section 172 Statement' included, highlighting the BHA's areas of strategic focus. This introduction takes the place of the traditional Chief Executive's Foreword in previous reports but is not part of the audited report and financial statements.

For the first time, the BHA is required to comply with Environmental Reporting regulations setting out our energy usage and carbon emissions. Our officials serviced over 1,000 fixtures in 2020 as against 1,444 in 2019, so the travel distances they are required to cover are significant. I shall be speaking at the Racing Industry Conference later this month and talking about the challenges this presents to the BHA and the industry.

The financial issues we have faced are set out clearly in the accounts. Racing stopped for two and half months causing a significant reduction in income. 200 BHA staff were furloughed and we received £1.3 million from the Coronavirus Job Retention Scheme to offset the lost revenues.

By year end, we made an operating loss of £1 million, albeit that included a payment of £1.2 million to Authorised Betting Partners who made voluntary Levy contributions prior to the new legislation in 2017. In 2021, we have carried out a cost reduction programme that now sees us back on budget.

The COVID pandemic caused significant disruption to the finances of the entire racing industry. The BHA published an initial Response Plan in March 2020, followed by a Recovery Plan in August 2020, which set out nine industry goals. This plan has shaped our activity over the past twelve months and this is an opportunity to provide an update on progress.

The first two goals, securing a full resumption of raceday activity, with the best possible ownership and spectator experience, and maintaining the health and safety of participants and all those attending, have required an exhaustive collaborative effort from the industry. Racing resumed on 1 June 2020 – one of the first major sports to do so after the first lockdown – and then kept going as infection-levels fluctuated and led to further lockdowns.

Participants adapted brilliantly to robust biosecurity protocols, which changed markedly the layout and operation of British racecourses. Having lost the early part of the flat season to lockdown, we were treated to a spectacular summer of racing following some radical changes to the fixture list, which allowed us to run all our Classics – albeit in very different circumstances.

With racing behind closed doors, no crowds greeted Oisin Murphy and Kameko as they flashed past the post to land the 2,000 Guineas. Nor were they able to witness Stradivarius winning his third Gold Cup in a row at Royal Ascot.

It was a clean sweep of the remaining Classics for the O'Briens, with Love conquering all for Aidan in the 1,000 Guineas and Oaks, and Serpentine securing the trainer a record-breaking eighth Derby success. Joseph made history at Doncaster, becoming only the second person to ride and train the winner of the St Leger

At Longchamp, we bid an emotional farewell to Enable, with the record-breaking mare not able to secure an historic third Arc but leaving many happy memories. Ghaiyyath topped the Longines World's Best Racehorse rankings, following an enthralling clash with Enable at Sandown and a dominant display at York.

Over jumps, after the disappointment of the cancelled Grand National and a curtailed finale to the season, we were able to restart in July, with our female jockeys outstanding. Bryony Frost secured the King George VI Chase aboard Frodon and Rachel Blackmore made history, becoming the first female rider to be top jockey at the Cheltenham Festival, then the first to win the Grand National.

In July 2020, we were also able to secure the return of owners to courses, albeit with numbers limited and agreed with local public health authorities. But the rise in COVID cases in the autumn dashed hopes of a return for spectators and our participants and owners showed incredible patience and loyalty as restrictions tightened again.

The government set out a roadmap for the return of spectators in February this year. The RCA led work to ensure racecourses were ready to adapt, working closely with Dr Jerry Hill, the BHA's Chief Medical Adviser, who was awarded an MBE in the Queen's Birthday Honours for his exceptional work on COVID. Capacity limits were finally lifted in England on 19 July.

In the entire period for which restrictions were in place, racing ran 1554 fixtures wholly or partially behind closed doors. This has ensured the sport continued to receive revenue from betting, based on a modified fixture programme for the second half of 2020. The Horserace Betting Levy Board used its reserves to support prize money and this has continued into 2021. Nevertheless, there was a significant reduction with total prize money down from £161 million in 2019 to £94 million in 2020.

The BHA put in a submission on behalf of the industry to the UK government's Sports Winter Survival Package and received £21 million of loans. These will provide additional support for prize money in 2021/22 and build a contingency in case of further disruption. The loans will be repaid from Levy income over the next ten years. The Scottish and Welsh governments have provided grants to their five and three racecourses respectively worth £400,000 per course. We are grateful to all the national governments for the support we have received.

One of our goals has been to reduce the industry's cost-base. The BHA has begun two significant projects to make its own contribution. First, we have set up a joint venture with Weatherbys - Racing Digital - to create a new digital platform for administering racing and reduce the cost of running the sport. This initial three-year project will deliver significant savings as well as help racing respond to the changing needs of owners and participants.

In addition, we are reviewing the strategy and structure of the BHA to ensure we are best placed to contribute to racing's recovery. The plan commits the industry's leadership to be 'agile where opportunities to find new revenues can be seized (and to be) making a case for immediate Levy reform.' The BHA needs to ensure it can support these and other industry goals, including delivery of the Horse Welfare Strategy, work with European partners to make the movement of horses following the Brexit agreement less costly and time-consuming, and to ensure racing's commitment to socially responsible gambling is properly recognised by government.

Since the original Recovery Plan was published, the industry's leaders have embarked on a dialogue to reset racing's relationship with the betting industry. The aims are to grow revenues for both parties from betting, to promote responsible betting, and to ensure the return to racing via the Levy is fair and sustainable. The government has made clear that racing should engage with betting directly before it will consider further Levy reform, but it has committed to look at the timetable for reform this year.

Our Recovery Plan was clear that whilst weathering the financial storm caused by COVID, the industry needed to put in place the foundations for sustainable prosperity. We are currently examining three key areas.

Firstly, the racing product and its appeal to the different types of customer who bet on, attend or watch racing. The past few months have seen innovation through the Racing League and SkyBet Sundays, adapting the racing product in the competitive sport and leisure market and engaging the fans of the future. The BHA is also looking at the Flat and Jumps Patterns to ensure British racing, its races and its trainers, can compete effectively against other countries.

Secondly, we are working together to improve the quality of industry data and its use in driving growth. This is in part to allow industry leaders to make better-informed decisions to strengthen industry finances, but also because the data itself can add value to relationships with sponsors and investors who see the potential in engaging with the racing demographic.

Finally, the whole commercial model of racing rests on our biggest investors, our owners. This includes those leading owners who invest many tens of millions in owning and breeding in Great Britain as well as those whose interests may simply be a share of a horse or membership of a syndicate. The Industry Ownership Strategy, published in the autumn of 2020 by the ROA, set out the work done to improve the quality of the ownership experience and more besides. Now leaders want to build on that base to ensure current owners are better rewarded for their investment whilst attracting new owners to our great sport.

If COVID has been challenging, recovery will be even harder. There has been a clarity and unity of purpose for racing's constituent parts since March 2020. Get racing back, get owners back, get racegoers back. Keep everyone safe. Provide financial support where necessary. Seek financial help where possible. Retaining that clarity is much harder when choices have to be made about the future direction of the sport. And the big choices need the agreement of all three of the parties to our tripartite agreement between the BHA, the RCA and our owners, breeders and Licensed Personnel (trainers, jockeys and racing staff).

In any normal year, Britain's exit from the EU would have dominated industry talk. The agreement isn't perfect.

The BHA made sure the British government was well aware of the pitfalls in advance. But in a high-pressured negotiation, the agreement could not cover everything. It is now more difficult and more expensive to move horses to and from the EU. So the BHA and its Members have committed to work towards a successor to the free movement agreement Britain had with Ireland and France prior to Brexit that will work in all our interests.

The BHA has led work to respond to the Gambling Commission's consultation on affordability which threatened to cost racing more than £60 million per year. A coordinated political effort and a clear evidence-based argument has seen the threat deferred but it will now be considered as part of the government's Gambling Review. There remains a strong political intent to tackle problem-gambling and the BHA is working with racecourses, media rights groups and horsemen to produce a new Social Responsibility Policy to demonstrate our commitment to minimising harm.

Work on the industry's Horse Welfare Strategy was delayed by COVID but new euthanasia guidelines were developed and aftercare reviewed. Both were centre-stage after Panorama chose to focus on the racing industry, spurred on by the coverage of Gordon Elliott earlier in the year. Both have shown that racing has work to do to build public trust. That is a principal motivation for the review of racing's whip rules which the BHA is carrying out at present. We are indebted to a range of industry colleagues who have agreed to be part of the Steering Group and consider the evidence in the months to come.

Other regulatory challenges with which we have been dealing include the increased number of cocaine positives amongst jockeys, doping allegations in Irish racing and the introduction of a new Code of Conduct covering the sale of bloodstock. More generally, we have been addressing concerns about conduct in the industry and there is widespread agreement that racing should set out the behaviours it expects to see and challenge where it sees inappropriate conduct.

In May, eight racing bodies, including the BHA, published a new commitment to promote diversity and inclusion. Much reflection had taken place after the turmoil of 2020 around the treatment of black people and all minorities in all parts of society. The BHA Board heard directly from Rishi Persad on the response he received when calling for more diversity in racing, and our Chair Annamarie Phelps joined with her fellow Chairs to make a public statement of racing's intent.

The BHA's online training on understanding LGBT+ became our most popular module ever on the Racing 2 Learn platform.

We are proud that men and women compete directly and proud of the extraordinary achievements of Rachel Blackmore at Cheltenham and in the Grand National. Proud too of Holly Doyle being recognised in the BBC's Sports Personality of the Year Awards. Not to be outdone, Frankie Dettori, Ryan Moore and Oisin Murphy battled it out for top jockey at Royal Ascot. Beck Edmunds of Bryan Smart Racing became the 2021 Employee of the Year at the Stud and Stable Staff Awards sponsored by Godolphin, shown live on television by Racing TV for the first time.

The industry has shown remarkable resilience over the past year and a half. BHA staff and their industry colleagues have worked incredibly hard despite the toll that COVID has taken on people's wellbeing. We know there are many challenges to overcome to keep racing relevant, understood and accepted and to improve the financial health of the industry. Our international competitors, often better-supported by their governments and with higher revenues from betting, are trying to attract away our owners and our trainers. If we don't work together and if we don't get the right political support across the UK, we will struggle. But I am confident in our future, confident in the talent in racing and looking forward to better years ahead.

## JULIE HARRINGTON

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 2020.**

Contents

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2020.

**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*

2020 has been a challenging year for and the BHA and Racing in GB has not been immune from these challenges. Our financial performance in 2020 is summarised as:

- On a management reporting basis, excluding accounting adjustments required under FRS102, we started 2020 with a budgeted £0.4m deficit and ended the year with an operating deficit of £1.0m *(2019: £0.9m loss).* We believe this loss accurately reflects the operating loss of the company.
- When adjusting for the FRS102 adjustments required for defined benefit pensions which requires the removal of cash contributions and inclusion of actuarial profits or losses and interest cost, and the capitalisation of staff costs, the total comprehensive loss was £4.6m. *(2019: £1.0m loss)*
- Company net current assets are £3.9m (2019: £4.2m), this reflects BHAs working capital which has reduced during the year as despite increased cash this is just due to deferral of payments.
- Income was down by £1.1m compared to 2019. However, our income in 2020 includes £1.3m from the Coronavirus Job Retention Scheme (‘CJRS’) and therefore removing this means a like for like reduction in income of £2.4m year on year.
- We made significant savings across two major supplier contracts, as well as reducing third party spend and staff costs.

Managing cash was also extremely important, we took advantage of the Government’s VAT deferral scheme deferring over £1.5m until 2021-2022, signed a new lease which granted us 12 months rent free from May 2020 onwards, we also reduced capital spend. These led to us maintaining reasonable cash reserves over 2020, albeit with much of this deferral being repaid in 2021 and 2022.

Our focus was not only financial but also ensuring the wider sport was supported with representations made to Government and various support packages being put in place. Changes were made to handicapping criteria, additional roles were created including on course social distancing officers and checkpoint staff as well as setting up and providing a new 7 days per week helpdesk for complying with the new COVID protocols.

**Headline numbers for 2019 and 2020 – Company Only**

| | **2019** | **2020** |
|---|---|---|
| | **£'000** | **£'000** |
| Income (including other operating income) | **34,898** | **33,778** |
| Administrative costs | (35,793) | (34,831) |
| Operating surplus / (deficit) | (895) | (1,053) |
| Interest | 25 | 15 |
| **Surplus / (deficit) before statutory adjustments and tax** | **(870)** | **(1,038)** |

**Strategic report** *(continued)*

### Group Turnover

Turnover for the year was £34.1m (*2019: £37.5m)*. The decrease in turnover was due to lost income as a result of Covid-19 and the suspension of racing for part of the year.

Income losses were significant during March – May 2020 but performance since the resumption of racing on 1 June 2020 has been better than expected with increases in entries driving increased revenue. In addition, we have seen an upturn in new owners and various related owner registrations compared to the same period in 2019. In 2021 we have planned for a contraction in income as the wider economy seeks to recover from the Covid-19 pandemic.

We made use of the CJRS generating income of £1.3m in the Group. Outside of this we have not had to use any direct Government financial support. The CJRS was important to us and we furloughed approximately 200 staff maintaining a workforce of only 20% through those early months. These non furloughed staff worked tirelessly to get racing back on as soon as possible and we were one of the first sports to resume on 1 June 2020.

### 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 £35.0m *(2019: £37.2m)* for the year ended 31 December 2020.

We made significant operating cost savings this year many of which will continue into 2021. Our costs with Weatherbys and LGC reduced by £0.2m and £0.6m compared to 2019, staff travel, subsistence, subscription and related costs reduced by £0.65m due to 2 and a half months of no racing and then limited non raceday costs for the rest of 2020. These savings would have been higher but for a £0.56m holiday pay accrual at year end.

We renegotiated our lease on our London offices and advanced the break clause to April 2023 delivering significant cash benefit as a result of a 12 month rent free period (May 2020 – April 2021) with the flexibility to review our space needs and look to reduce space and cost from 2023 onwards.

We have made process improvements, for example we no longer publish a hard copy of the Racing Calendar which as delivered a six figure saving.

We have though had additional areas of expenditure such as additional 3 roles on a raceday to ensure the safe return of the sport and the creation of a 7 day per week call centre with staff redeployed to provide resource for this.

The other significant area of expense in 2020 has been the resolution of the Authorised Betting Partner ('ABP') rebates issue. As disclosed in previous statutory accounts, these payments were made on the agreement that the Racing Authority (the proposed successor to the HBLB at the time of signing) would make a rebate to certain ABPs at a time in the future if certain conditions were met. With the element of legislation required to create the Racing Authority failing, it was unclear where the liability for this rebate lay – with the HBLB who had received the payments from the ABPs or with Racing's stakeholders who had agreed the original contracts – and if the rebates had been triggered.

Following discussions, BHA, RCA and the Horsemen's Group elected to agree a settlement package with certain ABPs which is payable over a 4 year period. BHA's share of this liability is fully reflected in our 2020 results.

**Strategic report** *(continued)*

### Performance vs budget – company only results

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

| **Proforma (company only) Financials** | 2019 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Statutory profit before taxation | 325 | 216 |
| Adjustments in respect of FRS102 for pensions – removal of cash contributions | (1,304) | (1,331) |
| Adjustments in respect of FRS102 for pensions – past service cost | - | 6 |
| Adjustments in respect of FRS102 for pensions – interest cost | 212 | 161 |
| Adjustments in respect of FRS102 - capitalise internal development costs | (103) | (90) |
| **Management accounts loss before tax** | **(870)** | **(1,038)** |

### 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 £9.3m (2019: £7.8m) of which £17.0m (2019: £13.3m) is in cash with the balance in debtors and creditors.

The increase in cash at bank and in hand of £4m *(Company: £3.6m)*, which as shown in the group cash flow is primarily a result of an increase creditor balances at year end due to a VAT deferral of £1.5m which was settled in March 2021, the net impact of ABP liabilities and a creditor in relation to rent free on our offices. Other elements include the group statutory profit – which becomes a loss when cash contributions for pensions are included, research and development tax credits received and the repayment of £0.4m from BCS on their loan. It is noted that of the £17m group cash (Company: £14.6m), £1.4m is held at Weatherby's for the purposes of ongoing funds flow within the Racing cycle, £0.8m is held on term deposit and £6.4m is ring-fenced, again for commitments within the Racing cash flow cycle. Taking account of the VAT deferral, rent free period the directors therefore consider year end 'operating' cash available to the group and company going forwards of £6.1m and £3.7m to be a better reflection of cash surplus. At the company level this represents approximately 4-6 weeks of normalised operating expenditure.

Taking into account the pension liability, which is a long term liability of £12.6m *(2019: £8.7m)*, overall net liabilities are £4.1m *(2019: net assets of £0.5m)*. The pension liability has increase primarily due to a reduction of 0.8% to the discount rate driven by lower gilt yields, the independent actuary has assessed that a 0.1% change in the discount rate increases liabilities of the scheme by approximately £1.8m. Asset performance remained strong, increasing by over £8m during 2020, of which only £1.3m is due to cash payments into the scheme by the company.

### Taxation

BHA submitted claims to HMRC for Research and Development (R&D) tax credits for expenditure incurred in veterinary and medical research. This 2019 claim was processed and £224,000 was received from HMRC in 2021.

Based upon the 2020 results, it is anticipated that we will be making a claim for R&D tax credits in 2021 which will be traded for cash at 14.5%. A deferred tax debtor of £256,000 is included in the Company balance sheet.

**Strategic report** *(continued)*

### Capital spend

The Group spent £0.2m on capital items (intangible and tangible) in 2020. This significant reduction was due to cost reduction activity and he need to maintain a higher cash balance. 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 2020. However, in line with Government guidance as a result of the pandemic this requirement for the current year has been waived. We will report again in 2021.

### Environmental Reporting

Effective from 1 April 2019, The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 introduced the requirement for annual energy and carbon reporting. This is the first year of reporting and we have applied the financial control method.

Greenhouse Gas emissions are set out below in line with the various scopes.

| **GHG emissions and energy (2020)** | **Unit of measurement** | **Energy Equivalent KwH** | **Carbon Emissions Tonnes CO2e** |
|---|---|---|---|
| **Scope 1 – Direct emissions** | | | |
| Electricity | 618,694 KwH | 618,694 | 144.24 |
| Mileage – company cars | 1,271,495 miles | 4,532,718 | 356.99 |
| **Scope 3 – other indirect emissions** | | | |
| Mileage – non company cars business miles | 882,583 miles | 3,065,008 | 242.34 |
| **Total** | | **8,216,420** | **743.57** |
| Intensity ratio | 21.79 Tonnes (CO2e) per £m of turnover | | |

There are no material indirect emissions as set out under scope 2.

*Methodology*

The following methodology for converting raw data to the above have been applied. This uses factors as set out by the UK Government in their Greenhouse Gas conversion factors 2020 (condensed set).

- Building electricity is measured directly in KwH and converted using a factor of 0.23314 (UK Government GHG conversion factor) to produce Kg Co2e. This is then converted to tonnes.
- Company car mileage is converted using a weighted average of medium sized diesel (60%) doand petrol (40%) cars.
- Non company car business mileage is converted using a weighted average of medium diesel (79%), medium petrol (21%).

***Strategic report*** *(continued)*

*Energy efficiency*

Where appropriate the Group takes steps to ensure it reduces its GHG emissions and will consider what additional steps can be taken. To offset each tonne of $CO_2e$ used would require the planting of 5-6 trees. 2021 numbers are likely to be higher as 2020 including 2.5 months where there was no racing and so there was limited travel. There were also restrictions in place limiting non essential travel once racing resumed.

There is a maximum limit placed on $CO_2$ emissions for company cars, with electric and hybrid cars now being added to the list offered. Raceday staff are encouraged to car share to reduce mileage and $CO_2e$. The central London offices use motion triggered lighting to ensure optimal usage.

**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 caused a temporary cessation of the sport between mid March and end of May 2020. 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 and financially has rebounded. The performance of the Company remains susceptible to a global pandemic which causes areas of society to be placed in lockdown or restrictions introduced by Government. The company continues to monitor performance closely to ensure it remains a going concern. |
| 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 and some of the recommendations were started during 2020 whilst some were delayed as a result of the pandemic. One key element will be the review of the whip which will take place in 2021. |
| Regulatory changes in UK betting market impacting Racing's / industry income. | Government announced a review into the Gambling Act in late 2020 and part of this was in relation to affordability checks on individuals.<br>Racing is committed to socially responsible gambling but equally believes that Racing, as a game of skill, is different than games are chance. Equally introducing affordability checks at the levels proposed would have a significant and permanent damage on Racing through significantly reducing its income generation through the levy.<br>We engaged with Government and responded on behalf of racing to this review. |
| Impact of Brexit in relation to free movement of horses, people and appropriate tax treatment. | An industry steering group focusses on both the short term impact of Brexit but also longer term opportunities that arise.<br>The group is considering all elements and liaising with the appropriate Government departments on each area. |
| 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.<br>Throughout 2020, we moved quickly to ensure staff previously employed by AHT were offered jobs to ensure the sport kept this knowledge and was able to continue some of the necessary work in this area until a longer term solution could be found. |

**Strategic report** *(continued)*

**Section 172 statement**

**Introduction**

The statement below sets out how the directors have performed their fiduciary duties to comply with their responsibilities to promote the success of the company in accordance 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, with stakeholders being defined in the broadest terms.

The Directors have regard to the interests of the company's employees, customers, suppliers. members and other stakeholders, 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.

This statement covers the British Horseracing Authority Group ('Group') and not just the British Horseracing Authority Limited ('BHA').

Formal communication with our member 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.

We explain in this statement below how the Directors engage with many of our stakeholders, in some areas these are then explained in greater detail below, with specific sections on engagement with employees. We also include a wider example of a strategic decision during 2020.

- The nature of the BHA's role as governing and regulatory body of horse racing in GB, and the way that the Directors have discharged their duties in this regard, is considered to be consistent with the underlying objectives of Section 172: to operate in line with good corporate practice.
- The Directors regularly review how it engages with its key stakeholders as set out above including ensuring the Members and Executive Committees remain as effective as possible. The Directors also ensure their effectiveness and have undertaken a review through a third party to ensure they operate as effectively as possible.
- We aim to work responsibly with our stakeholders, including suppliers. The Directors believe in strong corporate governance and have policies in relation to anti-bribery, equal opportunities and whistleblowing policies, modern slavery and IR35. The Company is also accredited by the Living Wage Foundation ensuring staff and suppliers staff are paid appropriately.
- BHA takes a long term view looking proactively at areas which could improve the whole sport, with continued investment in new technology which aims to deliver improvements over the long term. The unique nature of the Board and its various standing committees means that representation from stakeholders is included on multiple occasions. For example, the Board itself has 4 member nominated directors from a Board of 9, the Audit and Risk committee has 2 member nominated members from a membership of 4. This continued involvement and engagement with stakeholders via these routes ensures engagement is continually sought.
- The Directors have also engaged with the stakeholders over a new industry consultation model as explained further below.
- The Company engages with all of the above stakeholders either directly or through the company's various executive and management teams, on industry based committees (such as the fixtures and funding group) and on racedays when this is possible.
- We communicate with employees in many ways for example through the holding of annual staff roadshows to share information and initiate feedback from staff and in 2020 when staff were forced to work from home and communication became more difficult to ensure, we set up regular all staff calls which include updates to all staff as well as providing a forum for staff to ask questions anonymously.

***Strategic report (continued)***

**Section 172 statement *(continued)***

- 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.

**Industry consultation model**

In 2019, we began a review of the way in which we consult with our member bodies, participants, wider stakeholders and relevant external bodies on key issues affecting the sport.

This included consultation on changes to the Rules of Racing and General Instructions, and other major decisions affecting the sport, including in relation to the Fixture List, the welfare of horses and people, and the integrity of the sport.

As a result of this review, which included a cross-industry consultation, a consultation model was drawn up and approved by the boards of the BHA and member bodies. In December 2020 the model was approved by the sport's cross-industry members' committee. These changes were implemented at the beginning of 2021. The process will identify different types of consultation and put in place best-practice templates for consultations of varying scales, utilising existing processes where appropriate.

**Key Board Decisions**

During the year, the Board made a number of key decisions which are considered to be in the interests of the overall success of the company and the wider sport. These decisions have impacts on certain stakeholder groups that have, to the extent considered appropriate by the Board, been reflected in the decision making process.

**Approval of 2021 budget and financial performance reporting**

Throughout 2020 the directors received regular updates on the company's financial position including its cashflow. Cashflow forecasts have been completed through to the end of 2022 to ensure any financial commitments made can be seen over the next 2 years. This mechanism allowed us to make swift decisions over where and how to reduce costs throughout the Pandemic.

In approving the 2021 Budget, the Board (and the Audit and Risk Committee) understood the key income drivers and sensitivities in the business, including fixture levels, field sizes, ownership, horses in training and taking into account the impact of Covid-19 and the economic downturn in leisure spend. Other considerations were around how long Covid protocols might remain in place on raceday and the cost of this, whilst looking to ensure funding was made available for important new projects such as levy reform and the whip consultation.

The Board also considered continued investment in our employees with only one role (not related to covid) being made redundant in 2020, the provision of employee medical and other benefits, staff mental health and wellbeing and industry wide push on diversity & inclusion through the diversity in racing steering group.

Stakeholder views were fed into this process through a fully engaged Audit and Risk Committee.

**Employee engagement**

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. This has never been as necessary as it was in 2020. Whilst we would always ideally advocate face to face communication, with staff spread across the country this is not always practical. Therefore we used the following approaches.

- Workplace, Facebook's business platform, is used as a communication hub for disseminating messages and communicating directly with staff.

- We have three annual staff roadshows held across the country to communicate with staff and to bring people together from different teams and different locations. In 2021, these will be held online.

***Strategic report (continued)***

**Section 172 statement *(continued)***

- 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’). Whilst we do not have exact numbers, we believe JNB represents over 50% of the salaried employees. In 2020, this was especially important as we needed to consult with these specific teams over how their annual contract days were adjusted to properly reflect furlough time and to seek agreement over smaller changes to overtime payments and the treatment of work for abandoned fixtures.
- Also in 2020 we successfully consulted on changes to the Defined Contribution element of the pension scheme which we moved to a Master Trust with Legal and General and which has created savings for staff in annual charges and increased options for them at retirement.
- Given the issues with communication arising from the pandemic we introduced regular “all staff calls” to update all staff, including those furloughed, of the company finances and the return of racing. These have continued throughout 2020 and have been extremely positively received by employees.
- The company have a separate recognition scheme for recognising performance throughout the year which is open to all staff.

**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 key business decisions in the year ended 31 December 2020 that the directors believe are significant in relation to s172 reporting, given their future impact on both the company and the wider sport, were our response to the outbreak of Covid-19 and our planning for Brexit. Both have significant potential consequences for the racing industry now and in the long term.

**COVID response**

In February 2020, the BHA and its member bodies set up an industry group to lead our response to Covid-19. Advice and information were sent to the industry in February and March and there was regular liaison with Government to highlight our response and the potential economic impact. The BHA Board suspended racing after the Government said the emergency services would not support mass gatherings. On 30 March 2020, the BHA published an operational plan for responding to Covid-19. This included a series of workstreams as follows, led by BHA and industry executives.

- Finance - To ensure that racing maximised Government financial support and used this or industry funds effectively to mitigate the financial impact on businesses and individuals;
- People - To support those working in racing and manage the public health risk;
- Equine health and welfare - To look after the health and welfare of our horses;
- Resumption of racing - To plan for a resumption at the earliest possible opportunity;
- Recovery – To plan for how to come back strongly as an industry.

There were enabling workstreams to provide appropriate governance and programme management, medical advice and ensure accurate and timely engagement with stakeholders inside and outside the sport.

Engagement with all relevant stakeholders was essential and achieved with the full inclusion of representatives from RCA, HG, HBLB, NTF, PJA, ROA and Racing Foundation amongst others within the workstreams. It was also essential to ensure that our staff were considered in their likely roles once racing resumed to ensure that they were kept safe and properly informed of progress even whilst many were on furlough.

***Strategic report (continued)***

**Section 172 statement *(continued)***

We considered many possible solutions and once racing could resume, we had clear protocols in place, agreed with key stakeholders, to ensure this was done successfully both to protect the NHS e.g. by reducing the risk of injury, and to ensure appropriate social distancing and health checks on a raceday.

We liaised with key suppliers who were required to ensure the smooth return, agreeing new short term contracts where appropriate. We actively sourced PPE to be available in various locations at the earliest opportunity.

Regular communications with the wider industry and key stakeholders was also achieved through press releases, targeted information feeds and regular TV interviews. This ensured participants, a key set of stakeholders, were informed and included in discussion. For example, there were trainers who were part of the various workstreams and these subject matter experts were able to feed back information from that demographic.

Once racing resumed, many of these workstreams continued and a full Recovery Plan was published in August 2020, agreed with our Members Committee.

The Industry Covid Group has continued to meet, constantly adapting protocols, returning owners to the racecourse and protecting participants. As further lockdowns were introduced, including the tiering system, the Covid group has made changes, reducing attendance at meetings to essential staff only.

The Group has approved a pilot of lateral flow testing to maintain business continuity by reducing the risk of sickness to key operational staff and to protect further the health of BHA and industry colleagues.

**Brexit**

The BHA and its member bodies in the Thoroughbred breeding and racing industry has been working together nationally and internationally – since before the 2016 EU Referendum – on meeting the challenges and opportunities which have emerged from the UK's decision to leave the EU.

This work has been co-ordinated by the Thoroughbred Industry's Brexit Steering Group (Chaired by Julian Richmond-Watson) and includes representation from the British Horseracing Authority, the Thoroughbred Breeders' Association, the Racehorse Owners Association, Weatherbys – which provides administrative services to the BHA - and the Horserace Betting Levy Board.

The BHA's specific responsibilities have included policy development, secretariat and communications support, and government and international liaison with the UK government, the EU, other racing jurisdictions and equestrian sports.

The Steering Group has met regularly, and has been responsible for the strategic coordination of UK and international activities. A number of sub-groups were established to guide the Steering Group's work, and manage threats and opportunities, compromising a broad range of industry experts:

- Trade, Taxation and Tariff Group – focused on identifying financial and administrative risks and ensuring these were communicated to Government;
- Horse Movement, Transport & Technical Group – focused on maintaining frictionless movement of Thoroughbreds;
- People Movement – identifying risks to the industry's ability to maintain a skilled workforce;
- Policy and Political Liaison – ensuring the policy proposals to address risks were articulated and communicated to governments and international partners;
- Operational communications – to ensure the industry would have the right information to follow new processes from 1 January 2021.

An intensive phase of communications to the industry preceded the announcement of a Free Trade Agreement in December 2020, with extensive contingency planning.

The Steering Group continues to meet and has formulated a post-Brexit strategy to seek additional changes that will reduce friction and cost to the industry.

**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.

Julie Harrington.

11 May 2021

**J A Harrington**

*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 *(2019: £nil)*.

### Directors

| | |
|---|---|
| A Phelps CBE | |
| NJ Rust OBE | Resigned 3 January 2021 |
| DJ Armstrong | |
| RJ Arnold | Appointed 28 January 2020; resigned 28 January 2020; appointed 25 March 2020; resigned 26 March 2020 |
| CH Barnett | Appointed 18 November 2020; resigned 19 November 2020 |
| MAM Carver CBE | |
| NG Cooper | Resigned 30 June 2020 |
| LM Cumani | |
| AS Duncan | Resigned 30 November 2020 |
| JA Harrington | Appointed 4 January 2021 |
| DSJ Jones | Appointed 1 January 2021 |
| AWK Merriam | Resigned 31 December 2020 |
| CM Parker | Appointed 1 July 2020 |
| 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 *(2019: profit of £0.5m)* has been transferred to reserves. The BHA is not permitted under its Memorandum of Association to pay dividends.

### Future Developments

The group produced a 2021 budget which details an operating loss on the basis that fees for participants are held at 2020 levels and with an expected downturn in certain owner related income streams as a result of an economic downturn. Any loss in 2021 can be managed from reserves in the short term.

The Group has also created a new Joint Venture, Racing Digital Limited, with Weatherbys Limited. This new JV will build and create a new racing administration system over the next 3 years and therefore this requires investment from BHA to enable this JV to ultimately deliver longer term process improvements and financial savings.

**Directors' report** *(continued)*

## 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.

## 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

Julie Harrington.

**JA Harrington**
*Director*

11 May 2021

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 on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2020 and of the Group's and Parent Company's results 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.

We have audited the financial statements of British Horseracing Authority Limited ("the Parent Company") for the year ended 31 December 2020 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).

### 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 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.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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)**

**Other Companies Act 2006 reporting**

In our opinion, based on the work undertaken in the course of the audit:

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

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

**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.

*Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- obtaining an understanding of the legal and regulatory frameworks that are applicable to the Group and Parent Company. These include, but are not limited to, compliance with the Companies Act, United Kingdom Generally Accepted Accounting Practice and tax legislation.
- reviewing minutes of the board of directors in order to identify any instances of fraud or non-compliance with laws and regulations.
- making enquires of other personnel with roles relevant to compliance with laws and regulations

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

- making enquiries of management and the Audit Committee of the Group policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur in the financial statements and any potential indicators of fraud. We identified potential for fraud in the following areas and performed the following procedures:
  - management override of controls: we evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates and judgements. Audit procedures performed included:
    - challenging assumptions made by management in their significant accounting estimates in particular in relation to actuarial assumptions, the recognition of a deferred tax asset and discount rates used for non-current receivables and payables;
    - identifying and testing journal entries, in particular any journal entries to revenue which are not in line with expectations and reviewing journal entries for journals inconsistent with the usual transactions of the Group.
  - revenue recognition: application of cut off at, and measurement of accrued income to, and deferred from, the year-end. We reviewed transactions pre and post year end to check that the associated revenue is reflected in the correct period
  - communicating relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**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 Parent 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.

DocuSigned by:
Ian Clayden

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

19 May 2021

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 2020*

| | *Note* | **2020** **£000** | 2019 £000 |
|---|---|---|---|
| **Group turnover** | *2* | **34,116** | 37,541 |
| Administrative expenses | | **(35,046)** | (37,173) |
| Other operating income | *7* | **1,281** | - |
| **Operating profit** | *5* | **351** | 368 |
| Interest on loans receivable | *6* | **85** | 97 |
| Other interest receivable and similar income | *8* | **20** | 30 |
| Interest payable and similar expenses | *9* | **(161)** | (212) |
| **Profit before taxation** | | **295** | 283 |
| Taxation on profit | 10 | **227** | 244 |
| **Profit for the financial year** | | **522** | 527 |

The profit in the above profit and loss account relate entirely to continuing operations. The notes on pages 25 to 52 form part of these financial statements.

## Consolidated statement of comprehensive loss

*for the year ended 31 December 2020*

| | *Note* | **2020** **£000** | 2019 £000 |
|---|---|---|---|
| **Profit for the financial year** | | **522** | 527 |
| **Other comprehensive (loss) / income** | | | |
| Remeasurement of the net defined benefit liability | *19* | **(5,068)** | (1,581) |
| **Total comprehensive loss for the year** | | **(4,546)** | (1,054) |

## Company profit and loss account
*for the year ended 31 December 2020*

| | *Note* | **2020 £000** | 2019 £000 |
|---|---|---|---|
| **Turnover** | *2* | **32,524** | 34,898 |
| Administrative expenses | | **(33,416)** | (34,386) |
| Other operating income | *7* | **1,254** | - |
| **Operating profit** | *5* | **362** | 512 |
| Other interest receivable and similar income | *8* | **15** | 25 |
| Interest payable and similar expenses | *9* | **(161)** | (212) |
| **Profit before taxation** | | **216** | 325 |
| Taxation on profit | *10* | **237** | 243 |
| **Profit for the financial year** | | **453** | 568 |

The profit in the above profit and loss account relate entirely to continuing operations. The notes on pages 25 to 52 form part of these financial statements.

## Company statement of comprehensive loss

*for the year ended 31 December 2020*

| | *Note* | **2020 £000** | 2019 £000 |
|---|---|---|---|
| **Profit for the financial year** | | **453** | 568 |
| **Other comprehensive loss** | | | |
| Remeasurement of the net defined benefit liability | *19* | **(5,068)** | (1,581) |
| **Total comprehensive loss for the year** | | **(4,615)** | (1,013) |

## Consolidated balance sheet
*at 31 December 2020*

| | *Note* | **2020** | | 2019 | |
|---|---|---|---|---|---|
| | | **£000** | **£000** | £000 | £000 |
| **Fixed assets** | | | | | |
| Intangible assets | *11* | | **435** | | 691 |
| Tangible assets | *12* | | **587** | | 712 |
| | | | **1,022** | | 1,403 |
| **Current assets** | | | | | |
| Debtors (including £3,001,000 *(2019: £1,634,000)* due after more than one year) | *14* | **10,002** | | 8,764 | |
| Cash at bank and in hand | *15* | **17,049** | | 13,326 | |
| | | **27,051** | | 22,090 | |
| **Creditors:** amounts falling due within one year | *16* | **(17,760)** | | (14,291) | |
| **Net current assets** | | | **9,291** | | 7,799 |
| **Total assets less current liabilities** | | | **10,313** | | 9,202 |
| Creditors: amounts falling due after more than one year | *17* | | **(1,753)** | | - |
| *Provisions for liabilities* | | | | | |
| Pension and similar obligations | *19* | | **(12,620)** | | (8,716) |
| **Net (liabilities) / assets** | | | **(4,060)** | | 486 |
| **Capital and reserves** | | | | | |
| Capital reserve | | | **19** | | 19 |
| Profit and loss account | | | **(4,079)** | | 467 |
| **Shareholders' funds** | | | **(4,060)** | | 486 |

The notes on pages 25 to 52 form part of these financial statements.

These financial statements were approved by the board of directors on 11 May 2021 and were signed on its behalf by:

Julie Harrington.

**J A Harrington**
*Director*

## Company balance sheet
at *31 December 2020*

| | *Note* | **2020** | | 2019 | |
|---|---|---|---|---|---|
| | | **£000** | **£000** | £000 | £000 |
| **Fixed assets** | | | | | |
| Intangible assets | *11* | | **435** | | 691 |
| Tangible assets | *12* | | **569** | | 703 |
| Investments | *13* | | **3,456** | | 3,456 |
| | | | **4,460** | | 4,850 |
| **Current assets** | | | | | |
| Debtors (including £1,892,000 *(2019: £243,000)* due after more than one year) | *14* | **8,562** | | 7,036 | |
| Cash at bank and in hand | *15* | **14,596** | | 11,211 | |
| | | **23,158** | | 18,247 | |
| **Creditors:** amounts falling due within one year | *16* | **(17,548)** | | (14,069) | |
| **Net current assets** | | | **5,610** | | 4,178 |
| **Total assets less current liabilities** | | | **10,070** | | 9,028 |
| Creditors: amounts falling due after more than one year | *17* | | **(1,753)** | | - |
| *Provisions for liabilities* | | | | | |
| Pension and similar obligations | *19* | | **(12,620)** | | (8,716) |
| **Net (liabilities) / assets** | | | **(4,303)** | | 312 |
| **Capital and reserves** | | | | | |
| Capital reserve | | | **19** | | 19 |
| Profit and loss account | | | **(4,322)** | | 293 |
| **Shareholders' funds** | | | **(4,303)** | | 312 |

The notes on pages 25 to 52 form part of these financial statements.

These financial statements were approved by the board of directors on 11 May 2021 and were signed on its behalf by:

Julie Harrington.

**J A Harrington**
*Director*

## Consolidated cash flow statement

*for the year ended 31 December 2020*

| | *Note* | **2020** **£000** | 2019 £000 |
|---|---|---|---|
| **Cash flows for operating activities** | | | |
| Profit for the financial year | | **522** | 527 |
| *Adjustments for:* | | | |
| Depreciation, amortisation and impairment | | **604** | 711 |
| Interest income receivable and similar income | | **(20)** | (30) |
| Gain on financial assets at fair value through profit and loss | | **(85)** | (97) |
| Interest payable and similar expenses | | **161** | 212 |
| Pension scheme current service cost | | **6** | - |
| Loss on sale of fixed assets | | **1** | 5 |
| Corporation tax reclaimed in respect of prior periods | | **56** | 74 |
| Corporation tax paid in the period | | **(3)** | (31) |
| | | **1,242** | 1,371 |
| (Increase) / decrease in trade and other debtors | | **(1,338)** | 578 |
| Increase in trade and other creditors | | **5,216** | 446 |
| Taxation | | **(227)** | (244) |
| Cash contributions to defined benefit pension scheme | | **(1,331)** | (1,304) |
| Net cash from operating activities | | **3,562** | 847 |
| **Cash flows from investing activities** | | | |
| Development expenditure | | **(102)** | (158) |
| Acquisition of tangible fixed assets | | **(122)** | (294) |
| Interest received | | **20** | 30 |
| Net cash from investing activities | | **(204)** | (422) |
| **Cash flows from financing activities** | | | |
| Loans repayments from associated undertakings | | **365** | 438 |
| Net cash from financing activities | | **365** | 438 |
| Net increase in cash and cash equivalents | *23* | **3,723** | 863 |
| Cash and cash equivalents at beginning of year | | **13,326** | 12,463 |
| Cash and cash equivalents at end of year | | **17,049** | 13,326 |

The notes on pages 25 to 52 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 2019 | 19 | 1,521 | 1,540 |
| **Total comprehensive income for the year** | | | |
| Profit | - | 527 | 527 |
| Other comprehensive income | - | (1,581) | (1,581) |
| Balance at 31 December 2019 | 19 | 467 | 486 |

| | Capital reserve £000 | Profit and loss account £000 | Total equity £000 |
|---|---|---|---|
| Balance at 1 January 2020 | 19 | 467 | 486 |
| **Total comprehensive income for the year** | | | |
| Profit | - | 522 | 522 |
| Other comprehensive loss | - | (5,068) | (5,068) |
| Balance at 31 December 2020 | **19** | **(4,079)** | **(4,060)** |

## Company statement of changes in Equity

| | Capital Reserve £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 income | - | (1,581) | (1,581) |
| Balance at 31 December 2019 | 19 | 293 | 312 |

| | Share Capital £000 | Profit and loss account £000 | Total equity £000 |
|---|---|---|---|
| Balance at 1 January 2020 | 19 | 293 | 312 |
| **Total comprehensive income for the year** | | | |
| Profit | - | 453 | 453 |
| Other comprehensive loss | - | (5,068) | (5,068) |
| Balance at 31 December 2020 | 19 | (4,322) | (4,303) |

The notes on pages 25 to 52 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 17 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 ongoing impact of the Covid-19 pandemic which started in March 2020 and continues to impact the UK and global economy. Impacts will be seen long beyond the point when people in GB are vaccinated with vaccines not protecting everybody and with worldwide movement of people and the mutations of the virus creating new strains. 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 were impacted in 2020 with the temporary cessation of Racing in all its forms but since resumption have performed above expectations. We have taken a prudent view in respect of 2021 income with the impact of an economic downturn and reduction in people's free income likely to impact the number of racehorse owners and related activity and with no fee increases made meaning income will have failed to keep up with costs.

## 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, modelling various scenarios of how cash could be impacted.

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 operating behind closed doors for the majority of the time between 1 June 2020 and the date of signing. The Company is sustainable financially on this model long term for as long as Government requires it.

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. We continue to work with Government to bring back spectators to events as soon as is allowed. This is essential for the wider health of the industry. Projecting when racing will return to normal remains 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, adapt its cost base to fit with a revised structure of the sport. To this end a strategy review is underway in 2021.

Whilst our overall result when removing FRS102 statutory adjustments shows an operating loss of £1.0m, this has been funded from reserves. As a regulator we have minimised our use of Government support schemes especially once business returned to some sense of normality, as this was we believe the right thing to do, and be seen to be doing. Therefore we have only used the CJRS and VAT deferral scheme, the latter has now, subsequent to the year end, been fully repaid to HMRC.

Our 2021 budget showed a forecast deficit of £0.85m, however we have already made inroads into that and expect it to be close to £0.3m by the end of the year. Further cost savings and better than expected income performance could totally erase this deficit by year end. Our cash position will reduce over the coming months with the VAT repayment to HMRC, our rent free period on our offices ending and with our investment in a new Joint Venture starting. Cash should be back at normal levels by the end of 2021.

Even allowing for this we have a healthy group balance sheet carried forward from 2020 (excluding the pension deficit) with a gradual return to the Group's and Company's previous financial position expected in the medium/long term as the Company and the sport rebuilds.

However, if further economic or industry wide setbacks occur, such as further lockdowns, 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 2020.

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. 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 |
| Specific Covid related assets | 18 months |

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 24 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.

***Other Operating Income***

Other operating income relates to income from the Coronavirus Job Retention Scheme and is recognised on an accruals basis.

**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 11 and 12)

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 19)

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 10)

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 14)

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 | Commercial | Total |
|---|---|---|---|
| | **2020** | **2020** | **2020** |
| | **£000** | **£000** | **£000** |
| **Turnover** | | | |
| United Kingdom and Republic of Ireland | 32,005 | 2,111 | 34,116 |
| **Total sales - Group** | **32,005** | **2,111** | **34,116** |
| Intra group revenue (Company only) | **519** | | |
| **Total sales - Company** | **32,524** | | |
| **Total operating profit / (loss) before interest and taxation** | **369** | **(18)** | **351** |
| **Net (liabilities) / assets** | **(4,198)** | **138** | **(4,060)** |

| | Racing administration | Commercial | Total |
|---|---|---|---|
| | 2019 | 2019 | 2019 |
| | £000 | £000 | £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 |

The Group has two classes of business, commercial (operated via GBR) 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:

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| NJ Rust OBE | **352** | 434 |
| A Phelps CBE | **95** | 58 |
| AWK Merriam | **26** | 27 |
| DL Whyte | **26** | 27 |
| JW Saumarez Smith | **13** | 27 |
| AS Duncan | **23** | 57 |
| JA Harrington | **-** | 5 |
| EN Harwerth | **-** | 14 |
| JR Arnold | **-** | 27 |
| Sir Paul R Stephenson | **33** | 35 |
| MAM Carver CBE | **26** | 22 |
| DJ Armstrong | **26** | 24 |
| NG Cooper | **12** | 20 |
| LM Cumani | **26** | 7 |
| CM Parker | **13** | - |
| VA Currie | **-** | 3 |
| Total | **671** | 787 |

The costs of NJ Rust, who was Chief Executive, are also represented within the costs included in note 4. The cost of employers NI for the above directors was £80,000 *(2019: £106,000).*

| | **Number of directors** | |
|---|---|---|
| | **2020** | 2019 |
| 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 £352,000 (*2019: £434,000*), and Company pension contributions of £10,000 (*2019: £10,000* ) 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 £2,310,000 *(2019: £2,683,000).* The year on year decrease was driven by two elements: (i) the closure of the executive performance bonus scheme in 2019 so there are no costs in 2020 (ii) all staff, including the executive and regardless of furlough status, took a 20% pay cut between April 2020 – June 2020 inclusive on any salary above £30,000.

**Notes** *(continued)*

## 4 Staff numbers and costs

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

| | Group and Company | | Company* | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Number** | Number | **Number** | Number |
| Directors | **11** | 11 | **10** | 10 |
| Permanent staff | **269** | 269 | **258** | 256 |
| Sessional staff | **14** | 16 | **14** | 15 |
| | **294** | 296 | **282** | 281 |

The aggregate payroll costs of these persons were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£000** | £000 | **£000** | £000 |
| Wages and salaries | **13,073** | 12,810 | **12,577** | 12,277 |
| Pension costs | **1,622** | 1,465 | **1,567** | 1,407 |
| Social security costs | **1,456** | 1,440 | **1,399** | 1,371 |
| | **16,151** | 15,715 | **15,543** | 15,055 |

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

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| *Included in operating profit are the following:* | | |
| Depreciation/amortisation charge for the year: | | |
| Tangible owned fixed assets | **246** | 292 |
| Intangible owned fixed assets | **358** | 419 |
| Loss on disposal of fixed assets | **3** | 5 |
| Operating leases: | | |
| Building rentals (including SDLT) | **919** | 824 |
| Car leases | **403** | 403 |
| Impairment and write off of debtor balances | **27** | 110 |

*Auditor's remuneration:*

| | | |
|---|---|---|
| Audit of these financial statements | **50** | 43 |
| 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

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| Effective interest on fair value of BCS loan | **52** | 64 |
| Contractual interest on BCS loan | **33** | 33 |
| | **85** | 97 |

## 7 Other operating income - Group

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| Coronavirus Job Retention Scheme | **1,281** | - |
| | **1,281** | - |

The group income from the CJRS represents income for BHA and GBR allocated staff. BHA also makes claims on behalf of Racing to School (RtS), as these staff are jointly contracted and paid under the BHA PAYE scheme. Income received in relation to these staff has been passed fully to RtS in the same way their costs are passed to them and are excluded from the numbers shown above.

### Other operating income - Company

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| Coronavirus Job Retention Scheme | **1,254** | - |
| | **1,254** | - |

**Notes** *(continued)*

## 8 Other interest receivable and similar income - Group

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| Bank interest | **20** | 30 |
| | **20** | 30 |

## Other interest receivable and similar income - Company

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| Bank interest | **15** | 25 |
| | **15** | 25 |

## 9 Interest payable and similar expenses – Group and Company

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| Interest on assets | **(1,530)** | (1,929) |
| Interest on liabilities | **1,691** | 2,141 |
| Net interest expense on net defined benefit liabilities | **161** | 212 |

**Notes** *(continued)*

## 10 Taxation - Group

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| Analysis of current tax recognised in profit and loss | | |
| UK corporation tax at 19% *(2019:19%)* | | |
| *Current tax* | | |
| Tax on profit for the year | **13** | 1 |
| Adjustment in respect of prior periods | **16** | (2) |
| Total current tax | **29** | (1) |
| Deferred tax credit for the year | **(256)** | (243) |
| Total tax credit | **(227)** | (244) |

*Reconciliation of effective tax rate*

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| Profit excluding taxation | **295** | 283 |
| Tax using the UK corporation tax rate of 19% *(2019:19%)* | **56** | 54 |
| *Effects of:* | | |
| Expenses not deductible for tax purposes | **12** | 59 |
| Pension costs not immediately deductible | **(221)** | (207) |
| R&D tax credits exchanged for cash | **(99)** | (160) |
| Brought forward trading losses used | **(2)** | - |
| (Over) / under provided in prior year | **16** | (2) |
| Depreciation in excess of capital allowances | **11** | 12 |
| Total tax credit (see above) | **(227)** | (244) |

The Company has claimed R&D tax credits for 2019 which were exchanged for cash. This amount of £224,000 (2019: £55,000) was received in January 2021, £19,000 lower than accrued for. 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 2020 for £256,000 have been accrued above.

*Factors that may affect future tax charges:*
A deferred tax asset of £256,000 *(2019: £243,000)* has been recognised in the balance sheet in respect of anticipated R&D credits. In addition, £1,830,000 *(2019: £1,264,000)* 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 *(2019: £383,000)* which again are unable to be recognised due to insufficient taxable profits in future to use them against.

Under the Finance Act 2015, the main rate of corporation tax reduced from 20% to 19% effective from 1 April 2017. The Finance Act 2016, which was substantively enacted on 6 September 2016, provided a further reduction to the main rate of corporation tax to 17% from 1 April 2020, however this reduction to 17% was reversed back to 19% and substantively enacted on 17 March 2020. Therefore the tax rate remains at 19% for the Balance Sheet date of 31 December 2020 and the deferred tax balances at this date have been measured at 19%, the rate at which the deferred tax asset is expected to reverse. 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)*

## 10 Taxation - Company

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| Analysis of current tax recognised in profit and loss | | |
| UK corporation tax at 19% *(2019:19%)* | | |
| *Current tax* | | |
| Adjustment in respect of prior years | **19** | - |
| Total current tax | **19** | - |
| Deferred tax credit for the year | **(256)** | (243) |
| Total tax credit | **(237)** | (243) |

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| *Reconciliation of effective tax rate* | | |
| Profit excluding taxation | **216** | 325 |
| Current tax at 19 % (*2019:19 %)* | **41** | 62 |
| *Effects of:* | | |
| Expenses not deductible for tax purposes | **9** | 49 |
| Pension costs not immediately deductible | **(221)** | (207) |
| R&D tax credits exchanged for cash | **(99)** | (160) |
| (Over) / under provided in prior year | **19** | - |
| Capital allowances less than depreciation | **14** | 13 |
| Total tax credit (see above) | **(237)** | (243) |

The Company has claimed R&D tax credits for 2019 which were exchanged for cash. This amount of £224,000 (2019: £55,000) was received in January 2021, £19,000 lower than accrued for. 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 2020 for £256,000 have been accrued above.

*Factors that may affect future tax charges:*

A deferred tax asset of £256,000 *(2019: £243,000)* has been recognised in the balance sheet in respect of anticipated R&D credits. In addition, £1,830,000 *(2019: £1,264,000)* 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 *(2019: £383,000)* which again are unable to be recognised due to insufficient taxable profits in future to use them against.

Under the Finance Act 2015, the main rate of corporation tax reduced from 20% to 19% effective from 1 April 2017. The Finance Act 2016, which was substantively enacted on 6 September 2016, provided a further reduction to the main rate of corporation tax to 17% from 1 April 2020, however this reduction to 17% was reversed back to 19% and substantively enacted on 17 March 2020. Therefore the tax rate remains at 19% for the Balance Sheet date of 31 December 2020 and the deferred tax balances at this date have been measured at 19%, the rate at which the deferred tax asset is expected to reverse. 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)*

## 11 Intangible fixed assets – Group and Company

| | Development costs £000 | Total £000 |
|---|---|---|
| ***Cost*** | | |
| At 1 January 2020 | 2,709 | 2,709 |
| Additions | 102 | 102 |
| Disposals | (428) | (428) |
| **At 31 December 2020** | **2,383** | **2,383** |
| ***Amortisation*** | | |
| At 1 January 2020 | 2,018 | 2,018 |
| Charge for the year | 358 | 358 |
| Disposals | (428) | (428) |
| **At 31 December 2020** | **1,948** | **1,948** |
| ***Net book value*** | | |
| **At 31 December 2020** | **435** | **435** |
| At 1 January 2020 | 691 | 691 |

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)*

## 12 Tangible fixed assets – Group

| | Leasehold improvements £000 | Fixtures, fittings and office equipment £000 | Total £000 |
|---|---|---|---|
| ***Cost*** | | | |
| At 1 January 2020 | 1,289 | 2,107 | 3,396 |
| Additions | - | 122 | 122 |
| Disposals | - | (203) | (203) |
| **At 31 December 2020** | **1,289** | **2,026** | **3,315** |
| ***Depreciation*** | | | |
| At 1 January 2020 | 1,259 | 1,425 | 2,684 |
| Charge for the year | 14 | 232 | 246 |
| Disposals | - | (202) | (202) |
| **At 31 December 2020** | **1,273** | **1,455** | **2,728** |
| ***Net book value*** | | | |
| **At 31 December 2020** | **16** | **571** | **587** |
| At 1 January 2020 | 30 | 682 | 712 |

**Tangible fixed assets –Company**

| | Leasehold improvements £000 | Fixtures, fittings and office equipment £000 | Total £000 |
|---|---|---|---|
| ***Cost*** | | | |
| At 1 January 2020 | 1,289 | 2,075 | 3,364 |
| Additions | - | 106 | 106 |
| Disposals | - | (203) | (203) |
| **At 31 December 2020** | **1,289** | **1,978** | **3,267** |
| ***Depreciation*** | | | |
| At 1 January 2020 | 1,259 | 1,402 | 2,661 |
| Charge for the year | 14 | 225 | 239 |
| Disposals | - | (202) | (202) |
| **At 31 December 2020** | **1,273** | **1,425** | **2,698** |
| ***Net book value*** | | | |
| **At 31 December 2020** | **16** | **553** | **569** |
| At 1 January 2020 | 30 | 673 | 703 |

**Notes** *(continued)*

## 13 Fixed asset investments - Company

| | Shares in Group Undertakings | Shares in Joint Ventures | Total |
|---|---|---|---|
| | £000 | £,000 | £000 |
| ***Cost*** | | | |
| At 1 January and 31 December 2020 | 4,004 | - | 4,004 |
| ***Provision*** | | | |
| At 1 January 2020 | (548) | - | (548) |
| Impairment charge for the year | - | - | - |
| At 31 December 2020 | (548) | - | (548) |
| ***Net book value*** | | | |
| **At 31 December 2020** | **3,456** | **-** | **3,456** |
| **At 1 January 2020** | **3,456** | **-** | **3,456** |

The Company has the following direct investments:

| | Country of incorporation | Number of shares | Class of shares held | Ownership 2020 % | Ownership 2019 % |
|---|---|---|---|---|---|
| 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 Digital Limited | UK | 1 | Ordinary ‘A’ | 50% | - |
| Horseracing Regulatory Authority Limited* | UK | 1,000 | Ordinary | 100% | 100% |

The three companies marked with * are all dormant companies and no longer trade. Racing for All was dissolved on 10 March 2020. 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 2020 % | Ownership 2019 % |
|---|---|---|---|---|---|
| Great British Racing 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)*

## 14 Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£000** | £000 | **£000** | £000 |
| Trade debtors | **2,066** | 2,179 | **2,066** | 2,179 |
| Amounts owed by group undertakings | **-** | - | **162** | 449 |
| Corporation tax asset | **224** | 57 | **224** | 56 |
| Deferred tax asset | **256** | 243 | **256** | 243 |
| Other debtors | **4,983** | 2,919 | **4,983** | 2,919 |
| VAT | **-** | 57 | **-** | - |
| Loan owed by BCS Limited | **1,476** | 1,756 | **-** | - |
| Prepayments and accrued income | **997** | 1,553 | **871** | 1,190 |
| | **10,002** | 8,764 | **8,562** | 7,036 |
| Due within one year | **7,001** | 7,130 | **6,670** | 6,793 |
| Due after one year | **3,001** | 1,634 | **1,892** | 243 |
| | **10,002** | 8,764 | **8,562** | 7,036 |

.

The above loan balance of £1,476,000 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, £85,000 is recognised in 2020 with £33,000 being contractual interest and £52,000 being effective interest on the fair value of the loan. The next repayment of £366,000 is scheduled for December 2021 at which stage a further £71,000 of total interest will be recognised. £1,108,000 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.

## 15 Cash and cash equivalents – Group and company

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£000** | £000 | **£000** | £000 |
| Cash at bank and in hand | **9,826** | 5,914 | **7,373** | 3,799 |
| Short term deposit | **776** | 776 | **776** | 776 |
| Ring fenced cash | **6,447** | 6,636 | **6,447** | 6,636 |
| | **17,049** | 13,326 | **14,596** | 11,211 |

**Notes** *(continued)*

## 16 Creditors: amounts falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£000** | £000 | **£000** | £000 |
| Trade creditors | **1,773** | 2,078 | **1,607** | 1,848 |
| Amount owed to group undertakings | **-** | - | **36** | 78 |
| Corporation tax | **10** | 2 | **-** | - |
| Other taxes and social security | **2,396** | 875 | **2,378** | 867 |
| Other creditors | **11,354** | 10,572 | **11,300** | 10,512 |
| Accruals and deferred income | **2,227** | 764 | **2,227** | 764 |
| | **17,760** | 14,291 | **17,548** | 14,069 |

## 17 Creditors: amounts falling due after more than one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£000** | £000 | **£000** | £000 |
| Other creditors | **1,753** | - | **1,753** | - |
| | **1,753** | - | **1,753** | - |

## 18 Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£000** | £000 | **£000** | £000 |
| Assets measured at amortised cost | **19,127** | 20,180 | **15,354** | 16,758 |
| Liabilities measured at amortised cost | **17,107** | 12,816 | **16,923** | 12,604 |

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)*

## 19 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 2020 by a qualified independent actuary. The results of the next full valuation as at 31 December 2020 will not be known at the time of signing these accounts.

The company will contribute £1,206,000 as an annual deficit repair payment in 2021 increasing by 2% p.a. and has a recovery plan agreed with the trustees of the Scheme that is in place until May 2026. This recovery plan will be updated as a result of the 2020 triennial valuation.

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 then the HBLB will make these payments. This guarantee is effective until the earlier of 30 September 2032 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 2020 £000** | Value at 31 December 2019 £000 |
|---|---|---|
| Defined benefit obligation | **(97,942)** | (85,772) |
| Plan assets | **85,322** | 77,056 |
| Deficit | **(12,620)** | (8,716) |
| Related deferred tax asset | **-** | - |
| Net pension liability | **(12,620)** | (8,716) |

**Notes** *(continued)*

## 17 Pension scheme *(continued)*

*Movements in present value of defined benefit obligation:*

| | **Value at 31 December 2020 £000** | Value at 31 December 2019 £000 |
|---|---|---|
| At start of year | **85,772** | 78,048 |
| Current service cost | **-** | - |
| Past service cost | **6** | - |
| Interest cost | **1,691** | 2,141 |
| Actuarial losses / (gains) due to assumption changes | **13,862** | 9,195 |
| Experience (gain) / loss | **(927)** | (434) |
| Contributions by members | **-** | - |
| Benefits paid | **(2,462)** | (3,178) |
| At end of year | **97,942** | 85,772 |

*Movements in fair value of plan assets:*

| | **Value at 31 December 2020 £000** | Value at 31 December 2019 £000 |
|---|---|---|
| At start of year | **77,056** | 69,821 |
| Interest on assets | **1,530** | 1,929 |
| Actuarial gain / (loss) on scheme assets | **7,867** | 7,180 |
| Contributions by employer | **1,331** | 1,304 |
| Contributions by members | **-** | - |
| Benefits paid | **(2,462)** | (3,178) |
| At end of year | **85,322** | 77,056 |

*Expense recognised in the profit and loss account:*

| | **31 December 2020 £000** | 31 December 2019 £000 |
|---|---|---|
| Current service cost | **-** | - |
| Past service cost | **6** | - |
| Net interest on net defined benefit liability | **161** | 212 |
| Total expense recognised in profit and loss | **167** | 212 |

The total amount recognised in other comprehensive income is a loss of £5,068,000 *(2019: loss* of *£1,581,000*).

Cumulative actuarial losses reported in other comprehensive income for accounting periods ending on or after 22 June 2002, are losses of £20,032,000 *(2019*: *£14,964,000*).

**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 2020 £000** | Value at 31 December 2019 £000 |
|---|---|---|
| Equities and other return seeking assets | **18,211** | 18,303 |
| Bonds and other defensive assets | **61,687** | 55,826 |
| Property | **3,354** | 2,767 |
| Cash | **2,060** | 150 |
| Annuity | **10** | 10 |
| Total market value of assets | **85,322** | 77,056 |
| Actual return on plan assets | **9,397** | 9,109 |

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

| | **31 December 2020** | 31 December 2019 |
|---|---|---|
| Discount rate | 1.20% | 2.00% |
| Inflation (Consumer Price Index) | 2.70% | 2.40% |
| Inflation (Retail Price Index) | 3.20% | 3.20% |
| Pension increase (RPI max 5%) | 3.10% | 3.10% |
| Pension increase (RPI max 2.5%) | 2.20% | 2.20% |
| Pension increase (CPI max 2.5%) | 2.00% | 1.90% |

In valuing the liabilities of the pension fund at 31 December 2020, 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), 24.6 years (female). (2019: 22.5 years (male), 24.5 years (female))
- Future retiree, currently aged 45, upon reaching 65: 24.0 years (male), 26.1 years (female). (2019: 23.9 years (male), 26.0 years (female))

The discount value of the liabilities is sensitive to the discount rate applied. For reference, a 0.1% change in the discount rate is equivalent to a £1.8m change in liabilities. Post year end corporate bond rates increased meaning if taken at another point in time the liabilities would have been reduced.

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:

| | **2020** | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| | **£000** | £000 | £000 | £000 | £000 |
| Present value of scheme liabilities | **(97,942)** | (85,772) | (78,048) | (91,576) | (87,776) |
| Fair value of scheme assets | **85,322** | 77,056 | 69,821 | 73,661 | 71,363 |
| Deficit | **(12,620)** | (8,716) | (8,227) | (17,915) | (16,413) |

Experience adjustments:

| | **Year ending 31 December 2020** | Year ending 31 December 2019 | Year ending 31 December 2018 |
|---|---|---|---|
| Difference between the expected and actual return on scheme assets – gain/(loss): | | | |
| Amount (£000) | **7,867** | 7,180 | (3,938) |
| Percentage of year end scheme assets | **9%** | 9% | 6% |
| Experience gains and (losses) on scheme liabilities: | | | |
| Amount (£000) | **927** | 434 | 4,152 |
| Percentage of year end scheme liabilities | **0.9%** | 0.5% | 5.3% |
| Total amount recognised in other comprehensive income – gain/(loss): | | | |
| Amount (£000) | **(5,068)** | (1,581) | 9,042 |
| Percentage of year end scheme liabilities | **5.2%** | 1.8% | 11.5% |

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 £1,331,000 to the Scheme in 2020 *(2019: £1,304,000)*.

Analysis of amount recognised in other comprehensive income

| | **Year ending 31 December 2020 £000** | Year ending 31 December 2019 £000 | Year ending 31 December 2018 £'000 |
|---|---|---|---|
| Actuarial gain / (loss) on scheme assets | **7,867** | 7,180 | (3,938) |
| Changes in actuarial assumptions | **(13,862)** | (9,195) | 8,828 |
| Experience gains | **927** | 434 | 4,152 |
| Actuarial (loss) / gain recognised in other comprehensive income | **(5,068)** | (1,581) | 9,042 |

**Notes** *(continued)*

## 17 Pension scheme *(continued)*

Analysis of amount recognised in other comprehensive income (continued)

| | Year ending 31 December 2017 £'000 | Year ending 31 December 2016 £'000 |
|---|---|---|
| Actuarial gain on scheme assets | 2,656 | 10,869 |
| Changes in actuarial assumptions | (4,116) | (15,535) |
| Experience (losses) / gains | (757) | 318 |
| Actuarial (loss) recognised in other comprehensive income | (2,217) | (4,348) |

*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 £1,566,943 in 2020 *(2019: £1,406,795 )*.

The amount payable to the pension fund as at 31 December 2020 was £247,000 *(2019: £242,000).*

In addition the Company paid £23,000 into the personal pension schemes of certain employees *(2019: £23,000)*.

## 20 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.

## 21 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. Agreement was reached between Racing and the on-line operators over settlement two of the agreements. The Company's share of this cost is included in administration expenses. Amounts owed and owing are shown in other debtors and other creditors respectively.

One agreement remains unsettled.

**Notes** *(continued)*

## 22 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 2020 the Group and Company had commitments under non-cancellable operating leases as follows:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Land and buildings** | **Other** | Land and buildings | Other |
| | **£000** | **£000** | £000 | £000 |
| **Expiring:** | | | | |
| Within one year | **811** | **331** | 272 | 311 |
| Between one and five years inclusive | **1,151** | **420** | 106 | 469 |
| Over five years | **93** | **-** | 119 | - |
| | **2,055** | **751** | 497 | 780 |

Land and buildings includes the new lease signed on 75 High Holborn which runs from 1 May 2020 – 30 April 2030 but with a three year break clause in April 2023. The above includes rent payments from May 2020 – April 2023 as well as all penalties and rent free spread equally over the 3 year period.

The lease commitments included in other relate to motor cars.

## 23 Net debt reconciliation

| | **At 1 January 2020** | **Cash flow** | **At 31 December 2020** |
|---|---|---|---|
| | £000 | £000 | £000 |
| Cash at bank and in hand | 5,914 | 3,912 | 9,826 |
| Ring fenced cash | 6,636 | (189) | 6,447 |
| Short term deposits | 776 | - | 776 |
| **Net funds** | 13,326 | 3,723 | 17,049 |

**Notes** *(continued)*

## 24 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
- Fittocks Stud

**Notes** *(continued)*

## 24 Related party transactions *(continued)*

*Other related party transactions*

| | Sales and recharges to | | Administrative expenses incurred from | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£000** | £000 | **£000** | £000 |
| Racecourse Association Limited | **-** | 14 | **-** | 1 |
| Racecourse Technical Services Limited | **-** | - | **246** | 244 |
| Racehorse Owners Association Limited | **26** | 120 | **-** | - |
| Thoroughbred Breeders Association | **52** | 66 | **-** | - |
| Fakenham Racecourse Limited | **176** | 196 | **2** | - |
| National Trainers Federation | **1** | 1 | **-** | - |
| Horsemen’s Group | **-** | - | **-** | - |
| Point to Point Authority Limited | **71** | 191 | **-** | - |
| Retraining of Racehorses Limited | **352** | 300 | **-** | 1 |
| Racing to School Limited | **351** | 405 | **14** | 1 |
| Jockey Club Racecourses Limited | **4,949** | 5,289 | **40** | 21 |
| Jockey Club Estates | **-** | - | **1** | 2 |
| Racing Welfare | **-** | 1 | **31** | 10 |
| Horserace Betting Levy Board | **1,186** | 626 | **-** | - |
| Great British Racing Limited | **1,017** | 1,277 | **-** | 50 |
| British Horseracing Database Limited | **137** | 159 | **5,220** | 5,471 |
| Crimestoppers Enterprises Limited | **-** | - | **18** | 11 |
| British Racing School Limited | **-** | 4 | **111** | 111 |
| British Champions Series Limited | **402** | 722 | **-** | - |
| | **8,720** | 9,371 | **5,683** | 5,923 |

**Notes** *(continued)*

## 24 Related party transactions *(continued)*

| | Receivables outstanding | | Creditors outstanding | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£000** | £000 | **£000** | £000 |
| Racecourse Association Limited | **-** | 7 | **-** | 1 |
| Racecourse Technical Services Limited | **-** | - | **48** | 44 |
| Racehorse Owners Association Limited | **-** | 31 | **-** | - |
| Thoroughbred Breeders Association | **-** | - | **-** | - |
| National Trainers Federation | **-** | - | **-** | - |
| Horsemen's Group loan | **125** | 125 | **-** | - |
| Horsemen's Group loan provision | **(125)** | (125) | **-** | - |
| Point to Point Authority Limited | **8** | 40 | **-** | - |
| Retraining of Racehorses Limited | **328** | 371 | **-** | - |
| Racing to School Limited | **56** | 105 | **-** | - |
| Jockey Club Racecourses Limited | **1** | 8 | **22** | - |
| Jockey Club Estates | **-** | - | **-** | - |
| Racing Welfare | **-** | - | **-** | - |
| Horserace Betting Levy Board | **257** | 74 | **-** | - |
| Great British Racing Limited | **156** | 443 | **-** | 60 |
| British Horseracing Database Limited | **-** | 6 | **30** | 18 |
| Crimestoppers Enterprises Limited | **-** | - | **-** | - |
| British Racing School Limited | **-** | - | **5** | 12 |
| British Champions Series Limited – trade receivables / payables | **10** | - | **-** | 26 |
| British Champions Series Limited - loan | **1,517** | 1,849 | **-** | - |
| | **2,333** | 2,934 | **105** | 161 |