British Horseracing Authority Limited

(A company limited by guarantee)

Annual report and consolidated financial statements

Registered number 02813358

31 December 2022

Contents

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2022.

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 Racing Administration Database.

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

Overview

2022 performance was better than budget. We budgeted for a circa 10% reduction in certain types of ownership income anticipating a really difficult period following the pandemic. Whilst activity was down year on year in certain areas overall owner registrations outperformed budget. Unfortunately this was offset by reduced entry handling charges due to lower level of entries through the year. We also saw upside in sundry and grant income, including receiving a £1m award from Sport England for governance changes and business transformation. There were also cost savings, albeit mainly phasing, with budgeted staffing changes taking longer to implement, the delay in the Government Gambling Act Review White Paper, as well as a release of holiday pay provision.

Our financial performance in 2022 is summarised as:

- On a management reporting basis, excluding accounting adjustments required under Financial Reporting Standard (‘FRS’) 102, we started 2022 with a break even P&L budget (large budgeted cash outflow of £1.7m) and ended the year with an operating surplus of £0.3m *(2021: £0.8m profit).* We believe this surplus accurately reflects the operating activities of the company.
- When adjusting for (i) 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 (ii) the capitalisation of staff costs, the total comprehensive income was £1.1m. *(2021: £12.4m profit).*
- The £0.23m arising from the remeasurement of the net defined benefit activity shows the impact of the change in actuarial assumptions for measuring the pension liability. The increase in the discount rate has meant the pension scheme is now in surplus on an accounting basis, although this is surplus is not recognised and it is highly unlikely to ever be realised.
- Company net current assets are £4.5m *(2021: £5.4m)*, this reflects BHAs working capital.
- We invested £1.3m *(2021: £0.7m)* in Racing Digital and have impaired part of that investment relating to operating costs that may not be recoverable in due course leaving a carrying value of £1.5m *(2021: £0.6m)* at year end.
- Operating cash for the company excluding deposits, as defined by management, was £4.0m at year end, a reduction of £0.3m during the year.

Headline numbers for 2021 and 2022 – Company Only

	2021	2022
	£'000	£'000
Income (including other operating income)	**35,129**	**36,671**
Administrative costs	(34,374)	(36,442)
Operating surplus	755	229
Interest	11	56
Surplus before statutory adjustments and tax	**766**	**285**

Strategic report *(continued)*

Group Turnover

Turnover for the year was £39.8m (*2021: £36.9m)*. The increase in turnover was due to fee rises of 2.5% and increased grant and sundry income.

	2019	**2020**	**2021**	**2022**
	£'000	£'000	£'000	£'000
Racecourses	22,712	21,836	22,997	23,603
Owners	8,571	7,521	8,563	8,333
Other participants inc publications	1,216	1,133	1,120	1,202
Other	1,713	1,515	1,827	2,651
Subsidiary turnover	3,329	2,111	2,390	3,999
Total	**37,541**	**34,116**	**36,897**	**39,788**

Group Administrative expenses

Costs for the Group as a whole, which also include FRS 102 adjustments for pension scheme costs, amount to £38.1m *(2021: £34.8m)* for the year ended 31 December 2022.

Staff costs were higher than in previous years due to increases in headcount which increased by 25 across 2022. This included new roles to assist delivery of BHA and industry strategy and replacing roles previously vacated during 2020 and 2021. Travel costs increased with higher fuel costs for raceday teams servicing the fixture list.

Activity costs increased but only marginally, driven by inflation, one off costs - for example in relation to leaving 75 High Holborn - and the costs of the Horse Welfare Board which doubled from 2021.

Costs of Great British Racing increased due to increased headcount, the increased costs of GBRI and wider marketing spend to support its income growth.

We also invested through loan contributions in Racing Digital and impaired those contributions not linked directly to the capital spend in that company, with a £0.414m charge made to the profit and loss account in the year. This investment is funded from savings elsewhere in the business and reserves.

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, the latter excludes statutory adjustments for pensions and capitalisation of internal staff time. Management use this performance measure as they believe cash contributions paid during the year rather than the FRS102 prescribed accounting treatment provides a better reflection of the costs of running the business.

Proforma (company only) Financials	2021	2022
	£'000	£'000
Statutory profit before taxation	2,056	1,485
Adjustments in respect of FRS102 for pensions – removal of cash contributions	(1,353)	(1,206)
Adjustments in respect of FRS102 for pensions – past service cost	-	-
Adjustments in respect of FRS102 for pensions – interest cost	143	6
Adjustments in respect of FRS102 - capitalise internal development costs	(80)	-
Management accounts profit before tax	**766**	**285**

Balance sheet

The Group has net current assets of £6.9m *(2021: £9.1m)* of which £15.0m *(2021: £14.4m)* is in cash with the balance in debtors and creditors.

The increase in cash at bank and in hand of £0.6m *(Company: £1.1m increase)*, which as shown in the group cash flow statement is primarily a result of positive operational performance, increased creditors (of £0.9m) and tax receipts of £0.2m, offset by loans to Racing Digital and payments of the ABP liability.

It is noted that of the £15.0m group cash (Company: £12.8m), £2.0m is held at Weatherby's for the purposes of ongoing funds flow within the Racing cycle, £0.8m is held on term deposit and £6.0m is ring-fenced, again for commitments within the Racing cash flow cycle. Removing these items the directors therefore consider year end 'operating' cash available of £6.2m (group) and £4.0m (company) respectively to be a better reflection of available cash. At this level cash fell by £0.3m for the company during the year.

The Pension scheme is now showing an accounting surplus, however this accounting surplus is only able to be repaid to the Company when the final scheme member dies and with the trustees targeting buy-out as a long term objective the Company's right to a return of this asset is not considered unconditional and therefore an asset ceiling is applied to give a recognised surplus of £nil (*2021: deficit of £1.0m)*. We still anticipate there to be a small funding deficit given the change in assumptions used, this is estimated at circa 94.5%-95%.

Taxation

BHA remains in a tax neutral position by virtue of its continued investment in eligible R&D, use of brought forward losses and group relief within the wider Group.

Strategic report *(continued)*

Capital spend

The Group spent £0.2m on capital items (intangible and tangible) in 2022. The largest element was IT equipment.

Investment in Racing Digital

During the year the Company invested £1,335,000 through loans in Racing Digital Limited, a joint venture company. This money is being invested by Racing Digital in developing a new improved racing administration system, a project whose initial phase is three years. At the end of December 2022, we are 18 months into this venture and have invested £2,041,000 in total so far.

The recovery of the loans is assessed against the assets of Racing Digital - for example any capitalised software that has been developed - and any amount not supported by assets is impaired.

The impairment in 2022 was £0.4m, taking total impairments to £0.6m and leaving a carrying value of £1.5m. Racing Digital is unlikely to generate returns sufficient to repay all stakeholder loans and therefore this approach is a prudent one adopted by the directors. Within the wider Group, the impairment is replaced with our share of operating losses, which given the current approach are identical currently.

KPIs

The Company uses various informal key performance indicators across the business to monitor internal performance. The key financial KPI is performance against budget - the results of which are discussed above. It does not currently use formal KPIs to monitor the overall strategic objectives.

Strategic report *(continued)*

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. We have applied the financial control method. Greenhouse Gas emissions are set out below.

		2022		2021	
		Units	tCO2e	Units	tCO2e
Electricity	KWh	240,650	46.54	275,523	58.50
Company cars	Miles	1,532,673	404.31	1,517,214	402.07
Non company cars	Miles	1,315,944	364.09	1,147,835	312.11
Flights	Miles	213,236	27.71	38,992	5.28
Total			**842.65**		**777.96**
Intensity ratio (tCO2e per £m of turnover)			**21.17**		**21.08**

Methodology

The following methodology for converting raw data to the above has been applied consistently year on year.

- Electricity is measured directly in KwH and converted to Kg Co2e using a factor of 0.19338 compared to a conversion factor of 0.21233 in 2021.
- The Company car fleet is split 41% diesel, 41% petrol and 19% hybrid, with average engine size of 1622cc. Company car mileage is therefore converted using a weighted average of these for medium sized cars and their relative conversion factors.
- Non company car business mileage is converted using the same factors as above for diesel and petrol cars.
- Air journeys are calculated in miles and converted to CO2 emissions through an online calculator.

Energy efficiency

We have reduced electricity usage in our head office with daily consumption falling from 755 KWH per day to 659 KWH per day. We anticipate this falling further in 2023 as we downsize our head office.

There is a maximum limit placed on CO2 emissions for company cars, with electric and hybrid cars included on the list offered. Raceday staff are encouraged to car share to reduce mileage and CO2e. the percentage of hybrid cars has increased from 15% to 19% between 2021 and 2022.

The central London offices use motion triggered lighting to ensure optimal usage and we have reduced usage time given more hybrid working. We anticipate this number dropping further when we move and reduce space in 2023.

Through our office move we are making decisions with sustainability in mind. A proportion of our meeting room chairs are purchased from a carbon neutral supplier, our workstation chairs are made from over 95% recycled plastic and are 99% recyclable. The lighting will be configured in a manner that reduces usage and much of the water usage in the building is from recycled sources.

Part of the wider industry strategy which we are leading includes reference to making racing more sustainable over the longer term.

Strategic report *(continued)*

Principal risks and uncertainties

The Company maintains a risk register which is reviewed by both the Audit Committee and Board. This includes BHA operational risks and industry risks in areas where BHA has leadership responsibilities. Key risks are detailed below:

Risk identified	Further details
Industry suffers longer term damage and a period of contraction caused by economic factors and the cost of living crisis.	The industry strategy will look at ways to address any contraction and to grow the industry over the short, medium and long term through increased levy / levy reform; improving attendances and growing ownership to ensure the industry does not contract – or any contraction is short and shallow. We see continued strong ownership numbers, sales data and attendances at major festivals. However, cost of living has impacted attendances with 2022 being at lower levels than previously and general lack of modernisation mean our engagement with those under 40 is at lower levels than would be ideal for the long term health of the sport. The industry strategy will look to address this.
Environmental issues undermine the sustainability of current standard practices, ultimately impacting the sport's traditional model and causing damage to the industry.	An initial assessment of the sport's progress on environmental sustainability, to help support and inform the industry's long-term planning, has been completed. The ongoing impact of climate change on racing has become much more prevalent in the last 12 months and is now much higher up racing's agenda throughout the world as we seek to find solutions that work longer term.
Regulatory changes emanating from UK Government Gambling Act Review affecting betting activity levels on and/or income generated from betting activity on British racing. This includes the impact of proposed financial vulnerability/affordability checks, and the review of the Horserace Betting Levy.	Following a series of delays, the UK Government published its White Paper proposals on gambling regulation - High Stakes: Gambling Reform for the Digital Age - on 27 April 2023. The document acknowledges throughout the economic importance of the racing industry, its interdependent relationship with betting and the potential economic consequences of regulatory changes in betting on the racing industry, stating Government "is keen to ensure that measures such as financial risk checks do not adversely affect the [racing] sector." The White Paper has launched a series of further consultation processes, which will have direct implications for the British racing industry, including: 1. Launch of a review of the Horserace Betting Levy, to ensure it continues to deliver an appropriate level of funding for the racing industry from betting activity. This will take account of impacts from regulatory changes of other measures in the White Paper, and the racing industry's contribution to the rural economy 2. The Gambling Commission will hold further consultation on the implementation of financial vulnerability and affordability checks above certain thresholds. The nature and friction of these checks could have a material impact on betting activity on British racing, in addition to measures which have already been introduced/required of operators 3. A voluntary code for gambling sponsorship of sports events will be developed by sports bodies, with Government accepting that the specific and interdependent relationship between racing and betting will need to be reflected as part of this. British racing, led by the British Horseracing Authority, will continue to engage in detail in these consultation processes and with Parliamentarians. The sport is also considering its approach towards a safer gambling strategy to encourage and support safer gambling on horseracing.

Strategic report *(continued)*

Principal risks and uncertainties (continued)

Decline in the international competitiveness of British racing reduces the quality and appeal of the sport to investors, participants and customers.	We continue to review and make changes to both the pattern and the wider race programme. Creation of a Premier Tier of fixtures from 2024 with an increased share of funding and higher - more internationally competitive - minimum values is a key element of the Future Racing Product workstream within the industry strategy. We have introduced 60+ high value development races in 2023, with the aim of extending this in 2024. Prize money will also increase significantly to circa £185m in 2023 to encourage owners to keep their horses in training in GB.
Loss of major investors in the sport	Racing has some significant and long standing owners, who if they significantly reduced their investment in the sport would leave a significant downturn in horses and investment.
Public engagement being damaged as a result of equine welfare issues, real or perceived, arising from changing social and political attitudes both here and internationally.	As activity gets delivered and embedded the overall risk of social licence should reduce. However, some recent changes have taken time to embed fully. It remains unclear how the negative headlines impact on racing fans generally. Continued reference to aftercare, traceability and what happens to horses who do not make the track remain as potential issues which could impact social licence at some point in the future if not properly addressed.
Significant outbreak of equine disease impacting animal movement or suspension of racing.	This remains a key risk for the sport. 2022 saw the Introduction of an enhanced regulatory framework around the vaccination requirements of Thoroughbreds against Equine Influenza. As highlighted at the Asian Racing Conference, the increased danger of vector borne viruses/disease (midges/mosquitos) has risen. Whilst we have effective systems in place generally this is a risk we need to continue to ensure we are prepared for.
Industry workforce and ability to support delivery longer term due to insufficient staffing leading to declining standards/welfare issues. Stretched workforce and long hours creates retention and recruitment issues, all lead to mental health issues.	The new structure will create an Industry Programme Board into which the Industry People Board will report. We have taken on a new independent chair of this latter group and are seeking funding to increase resource. There remains the longer term possibility of insufficient staff to support the horse population.
Non delivery of key elements of the industry strategy plan	We have created a new governance structure and so far progress on the wider industry strategy remains positive. We have recruited new staff and created new functions to support the delivery, such as data, insight and analysis and programme management. As referenced above the industry strategy has links to various risks and as such remains a key priority for the sport.
Major safeguarding issue within the sport creates reputational and commercial damage.	We have created a dedicated safeguarding team including specialist practitioners, investigators and lawyers and implemented a bespoke education programme for jockey coaches, trainers, racing staff and jockeys. A new industry Code of Conduct has been introduced. Whilst cases are ongoing significant work has been undertaken in educating participants and as a result we hope for better appreciation of the requirements leading to fewer cases.

Strategic report *(continued)*

Section 172 statement

Introduction

The Board believes that, individually and together, it acts in a way that it considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, while having regard to the stakeholders and factors set out in section 172 (1) (a-f) of the Companies Act 2006.

For the purposes of its S172 obligations, the Board considers relevant stakeholders to include not only the members themselves, but also Government, employees and key suppliers.

How the Board engages with stakeholders

Members

The newly agreed governance structure (see key Board decisions below) aims to improve the effectiveness of engagement with members of the BHA, and thus decision making generally, by having a committee structure that feeds into the BHA's and the wider industry's strategic objectives, Members are represented on the different committees according to the scope and purpose of the committee.

As part of the 2022 Members' Agreement, the BHA also revisited the Consultation Model to check that it was still fit for purpose within the new governance structure. The Consultation Model remains in place as part of the 2022 Members' Agreement with some practical modifications. The essence of the Consultation Model remains such that the BHA recognises that consultation with members is highly desirable whenever possible. However, the BHA retains discretion as to the requirement to consult and the method of engagement (excluding those specific situations in which it is agreed that consultation is mandatory).

Four member-nominated directors sit on the BHA Board.

Employees

There are over 250 employees in the BHA Group, located across the entire country, working in various teams. With such a disparate workforce, internal communication is very important to ensure information is shared quickly, effectively and consistently. Therefore, the BHA uses the following approaches to communicate with its workforce.

- Workplace, Facebook's business platform, is used as a communication hub for disseminating messages and communicating directly with staff.
- Regular "all staff calls" to update all staff on relevant issues, with an opportunity to ask questions live or by way of follow up.
- Structured communication and consultation forums for more significant decisions affecting employees.

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 exact numbers are not known, it is believed that the JNB represents over 50% of the salaried employees. This group is primarily used to agree pay and conditions. The Board's Remuneration Committee recently extended its remit to consider wider strategic concerns regarding BHA employees and has been renamed the People and Remuneration Committee accordingly.

Strategic report (continued)

Section 172 statement *(continued)*

Government

The Board recognises the importance of Government support to ensure the long- term sustainability of the sport, be that from an environmental, horse welfare, human welfare or wider general social licence perspective. The Board also recognises the strength and importance of a united voice from the industry as a whole in its dealings with Government. Through its Communications and Corporate Affairs team, the BHA leads on engagement with the UK and Devolved Governments, Parliamentarians and Government agencies on behalf of British racing across a range of policy issues.

In order to facilitate this, an industry-wide Public Affairs Group meets regularly to act as a forum for discussion, information sharing and agreement of Government Relations strategy.

Key suppliers

The BHA meets regularly with its key service providers through a series of operational and strategic delivery groups. These groups look at operational performance of the contracts as well as future efficiencies.

Approval of annual budget and financial performance reporting

The Board receives regular updates on the Company's financial position throughout the year in the form of management accounts, which includes variance analysis and regularly updated annual forecasts of income and costs. Cashflow remains important post pandemic due to our ongoing commitments to fund Racing Digital and a 2 future year cashflow is maintained as standard.

The Board are also asked to approve key financial decisions. In 2022, this included the financial case to downsize our head office from circa 19,000 sqft to circa 8,500 sqft setting out the savings that would be achieved over the next 10 years.

The members of the Audit and Risk Committee interrogate the annual budget through a series of meetings with management and the Board approve this budget in November. In approving the annual 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, higher than usual inflation and made decisions over how these might impact activity levels in 2023. They also reviewed a high level 5 year cashflow which considered, for example the impact of ongoing pension deficit contributions and rephasing the ABP settlement.

Strategic report (continued)

Section 172 statement *(continued)*

Key Board Decisions

Set out below are two key strategic decisions made by the Board in 2022 that illustrate how the Board took into account the factors set out in S172 in their decision making process:

Significant event / decision	Actions and impact
Agreement of a new governance structure	The BHA's previous tripartite governance structure had been in place since 2015 and it had become widely acknowledged that improvements needed to be made. The Board, in consultation with the Members, therefore decided to change that governance structure and replace the Members' Committee and the Executive Committee with three new committees, giving the BHA Board greater oversight of and responsibility for wider industry decisions. The three new committees are: • Commercial Committee - will oversee the work of the existing Fixtures and Funding Group, Racing Group and Gambling Strategy Group and develop areas of the industry strategy with a commercial focus, including the racing product, promotion of the sport and initiatives regarding key stakeholders such as owners and bettors. • Industry Programme Group - will contribute to strategy relating to horse welfare, industry people, equality, diversity and inclusion, corporate social responsibility, social licence and environmental sustainability. • Integrity Advisory Committee - will provide strategic advice to the BHA Executive, and make recommendations to the Board, on matters relating to the integrity of the sport. The new governance structure also gave us an opportunity to undertake a gap analysis, in conjunction with Sport England, to ensure we were, as far as possible, fully compliant with Tier 3 of the Sports Governance Code.
Impact on the long-term sustainable success of the BHA and the wider industry	The newly agreed governance structure provides for better overall governance and decision- making processes, which ultimately allows the BHA Board to coordinate an industry wide strategy (see below) that aims to grow the sport in the longer term and increase long term sustainability. Improved governance also encourages new investment and ongoing government support.
Stakeholder considerations	The Board recognised that to stand any chance of success, BHA members needed to be fully involved in the creation of an alternative structure. The Board therefore mobilised a "Governance Project Group" comprising representatives from the BHA, RCA and Thoroughbred Group to consider and propose the new structure. Members were more widely engaged every step of the way, with regular escalation points to the chairs of the BHA members and their constituents before final sign off by the BHA Board and individual member boards. Recognising the importance of Government's support of horseracing and a desire to maintain the highest standards of governance generally, Sport England and DCMS have been kept abreast of developments with the BHA's new governance structure and the new structure has been satisfactorily assessed for compliance against the Code for Sports Governance.

Strategic report (continued)

Section 172 statement *(continued)*

Significant event / decision	Actions and impact
Agreement of an industry strategy	Alongside agreeing a new governance structure, it was agreed with the wider sport that the BHA should lead on developing and implementing a wider industry strategy. Following a two-day meeting in September 2022, industry leaders unanimously agreed on the need for serious and radical changes in order to make long-term improvements to the industry. Strategic areas of focus were agreed, including an appetite for fundamental change to the way in which the racing product is structured, presented and promoted in 2024, with agreement reached to begin to improve competitiveness in 2023 with a package of measures to be developed. Areas of focus will include, but not be limited to: • the organisation of the racing product, including the fixture list and race programme • presentation and promotion of the sport's most high-profile events • ensuring that the sport's promotional functions are properly structured and resourced • using data to better understand customer needs and to ensure industry decisions are based on evidence • working with betting operators, broadcasters and other partners to optimise growth • improving the owner experience and encouraging greater investment in ownership, in particular through affordable investment • continued focus on equine welfare • investment in our people and recruitment, welfare, development and retention of staff and diversity and inclusion • integrity and regulation • environmental sustainability
Impact on the long-term sustainable success of the BHA and the wider industry	Given the partisan nature of the sport, the Board considers it important that the sport has an agreed overarching industry strategy covering the key areas above that is supported by all members. Without such, industry strategy decisions will continue to be made on a short-term basis, which will impact the long-term sustainable success of the BHA and wider industry. BHAs role is to appreciate the inherent breadth of different stakeholders interests and objectively maintain balance that is ultimately in the best interests of the sport.
Stakeholder considerations	All relevant stakeholders were either involved through the two-day workshop or have been engaged in the subsequent period via committees or working groups.

Strategic report (continued)

Section 172 statement *(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.

3 August 2023

J A Harrington

Director

Holborn Gate
26 Southampton Buildings
London
WC2A 1AN

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 and incurred no political expenditure during the year *(2021: £nil).*

Directors

JW Saumarez Smith	
A Phelps CBE	Resigned 1 June 2022
DJ Armstrong	
LM Cumani	Resigned 30 September 2022
JP Ferguson	Appointed 1 October 2022
JA Harrington	
DSJ Jones	
CM Parker	
R Parker	
WT Walsh	
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 £1.4m *(2021: profit of £2.0m)* has been transferred to reserves. The BHA is not permitted under its Memorandum of Association to pay dividends.

Future Developments

The Company produced a 2023 budget which details an £838k pre tax profit and a cash outflow of £1.7m, with the company's exit from High Holborn and its investment in Racing Digital contributing to the cash loss. The budget includes some downside assumptions to ownership activity which we hope will not materialise. The budgeted cash outflow in 2023 can be managed from reserves. Our 5 year cashflow from 2023-2027 shows how cashflows are stabilised after the initial investment period in Racing Digital and the efficiencies that will be delivered.

The Board and relevant stakeholders continue to work on the development of an industry strategy, the key elements of which were agreed in 2022 and which we believe will improve the health of the sport longer term.

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

3 August 2023

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London
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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 of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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") and its subsidiaries ("the Group") for the year ended 31 December 2022 which comprise the Consolidated profit and loss account and statement of comprehensive income, the Company profit and loss account and statement of comprehensive income, the Consolidated balance sheet, the Company balance sheet, the Consolidated cashflow statement, the Consolidated statement 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 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 Directors 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.

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

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities in respect of the Annual report and financial statements, 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 relevant 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
- making enquiries of management 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, recoverability of receivables, 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
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Ian Clayden (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London,UK
Date 10 August 2023

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 2022

	Note	**2022 £000**	2021 £000
Group turnover	*2*	**39,788**	36,897
Administrative expenses		**(38,114)**	(34,694)
Other operating income	*7*	**-**	11
Operating profit	*5*	**1,674**	2,214
Share of losses of joint venture	*13*	**(414)**	(153)
Interest on loans receivable	*6*	**57**	71
Other interest receivable and similar income	*8*	**62**	18
Interest payable and similar expenses	*9*	**(6)**	(143)
Profit before taxation		**1,373**	2,007
Taxation on profit	10	**(7)**	(54)
Profit for the financial year		**1,366**	1,953

The profit in the above profit and loss account relate entirely to continuing operations. The notes on pages 27 to 55 form part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	Note	**2022 £000**	2021 £000
Profit for the financial year		**1,366**	1,953
Other comprehensive income / (loss)			
Remeasurement of the net defined benefit liability	*19*	**(230)**	10,440
Total comprehensive profit for the year		**1,136**	12,393

Company profit and loss account

for the year ended 31 December 2022

	Note	**2022 £000**	2021 £000
Turnover	*2*	**36,671**	35,118
Administrative expenses		**(35,236)**	(32,941)
Other operating income	*7*	**-**	11
Operating profit	*5*	**1,435**	2,188
Other interest receivable and similar income	*8*	**56**	11
Interest payable and similar expenses	*9*	**(6)**	(143)
Profit before taxation		**1,485**	2,056
Taxation on profit	*10*	**(9)**	(65)
Profit for the financial year		**1,476**	1,991

The profit in the above profit and loss account relate entirely to continuing operations. The notes on pages 27 to 55 form part of these financial statements.

Company statement of comprehensive income

for the year ended 31 December 2022

	Note	**2022 £000**	2021 £000
Profit for the financial year		**1,476**	1,991
Other comprehensive profit / (loss)			
Remeasurement of the net defined benefit liability	*19*	**(230)**	10,440
Total comprehensive profit for the year		**1,246**	12,431

Consolidated balance sheet
at 31 December 2022

	Note	**2022**		2021	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*11*		**236**		357
Tangible assets	*12*		**470**		523
Investments	*13*		**1,508**		553
			2,214		1,433
Current assets					
Debtors (including £1,179,000 *(2021: £2,034,000)* due after more than one year)	*14*	**8,875**		9,198	
Cash at bank and in hand	*15*	**15,034**		14,403	
		23,909		23,601	
Creditors: amounts falling due within one year	*16*	**(15,844)**		(14,549)	
Net current assets			**8,065**		9,052
Total assets less current liabilities			**10,279**		10,485
Creditors: amounts falling due after more than one year	*17*		**(810)**		(1,182)
Provisions for liabilities					
Pension and similar obligations	*19*		**-**		(970)
Net assets			**9,469**		8,333
Capital and reserves					
Capital reserve			**19**		19
Profit and loss account			**9,450**		8,314
Shareholders' funds			**9,469**		8,333

The notes on pages 27 to 55 form part of these financial statements.

These financial statements were approved by the board of directors on 3 August 2023 and were signed on its behalf by:

Julie Harrington.

J A Harrington
Director

Company balance sheet
at *31 December 2022*

	Note	**2022** £000	**2022** £000	2021 £000	2021 £000
Fixed assets					
Intangible assets	*11*		**236**		357
Tangible assets	*12*		**462**		509
Investments	*13*		**4,308**		4,009
			5,006		4,875
Current assets					
Debtors (including £688,000 *(2021: £1,226,000)* due after more than one year)	*14*	**7,937**		7,935	
Cash at bank and in hand	*15*	**12,770**		11,693	
		20,707		19,628	
Creditors: amounts falling due within one year	*16*	**(15,529)**		(14,223)	
Net current assets			**5,178**		5,405
Total assets less current liabilities			**10,184**		10,280
Creditors: amounts falling due after more than one year	*17*		**(810)**		(1,182)
Provisions for liabilities					
Pension and similar obligations	*19*		**-**		(970)
Net assets / (liabilities)			**9,374**		8,128
Capital and reserves					
Capital reserve			**19**		19
Profit and loss account			**9,355**		8,109
Shareholders' funds			**9,374**		8,128

The notes on pages 27 to 55 form part of these financial statements.

These financial statements were approved by the board of directors on 3 August 2023 and were signed on its behalf by:

Julie Harrington.

J A Harrington
Director

Consolidated cash flow statement

for the year ended 31 December 2022

	Note	**2022**	2021
		£000	£000
Cash flows for operating activities			
Profit for the financial year		**1,366**	1,953
Adjustments for:			
Depreciation, amortisation and impairment		**330**	388
Share of losses in fixed asset investment		**414**	153
Interest income receivable and similar income		**(62)**	(18)
Gain on financial assets at fair value through profit and loss		**(57)**	(71)
Interest payable and similar expenses		**6**	143
Loss on sale of fixed assets		**-**	3
Taxation		**7**	54
		2,004	2,605
(Increase) / decrease in trade and other debtors		**(181)**	230
Increase / (decrease) in trade and other creditors		**923**	(3,773)
Cash contributions to defined benefit pension scheme		**(1,206)**	(1,353)
Net cash from operations		**1,540**	(2,291)
Taxation			
Corporation tax reclaimed in respect of prior periods		**182**	224
Corporation tax paid in the period		**-**	(9)
Net cash from operating activities		**1,722**	(2,076)
Cash flows from investing activities			
Development expenditure		**(5)**	(97)
Acquisition of tangible fixed assets		**(151)**	(152)
Loans made to joint ventures		**(1,335)**	(706)
Interest received		**28**	18
Net cash from investing activities		**(1,463)**	(937)
Cash flows from financing activities			
Loans repayments from associated undertakings		**372**	367
Net cash from financing activities		**372**	367
Net increase in cash and cash equivalents	*23*	**631**	(2,646)
Cash and cash equivalents at beginning of year		**14,403**	17,049
Cash and cash equivalents at end of year		**15,034**	14,403

The notes on pages 27 to 55 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 2021	19	(4,079)	(4,060)
Total comprehensive income for the year			
Profit	-	1,953	1,953
Other comprehensive income	-	10,440	10,440
Balance at 31 December 2021	19	8,314	8,333

	Capital reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2022	19	8,314	8,333
Total comprehensive income for the year			
Profit	-	1,366	1,366
Other comprehensive profit	-	(230)	(230)
Balance at 31 December 2022	**19**	**9,450**	**9,469**

Company statement of changes in equity

	Capital Reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021	19	(4,322)	(4,303)
Total comprehensive income for the year			
Profit	-	1,991	1,991
Other comprehensive income	-	10,440	10,440
Balance at 31 December 2021	19	8,109	8,128

	Share Capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2022	19	8,109	8,128
Total comprehensive income for the year			
Profit	-	1,476	1,476
Other comprehensive profit	-	(230)	(230)
Balance at 31 December 2022	19	9,355	9,374

The notes on pages 27 to 55 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 Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN.

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.

Consolidated cash flow statement: reclassification of prior year item

In the prior year, loans of £706,000 made to a joint venture were presented in the consolidated statements of cash flows under 'cash flows from financing activities'. Further loans in the current year of £1,335,000 have been more appropriately presented under 'cash flows from investing activities' and the 2021 comparative has been adjusted to be consistent with the current year.

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.

1 Accounting policies *(continued)*

Going concern

The Company's revenue streams are now at normal levels with changes driven by the wider economic challenges facing businesses rather than linked to Covid. We continue to budget and forecast sensibly, with an element of prudence, and maintain reserves above our minimum levels. Inclusion of wider Group reserves gives additional headroom if required.

The continuation of hybrid working has enabled us to downsize our central London property footprint to about 45% of existing levels from April 2023 and make significant long term savings as a result. Inflation remains a challenge to both income and costs, however our two major contracts both have inflation caps and wage inflation has been managed sensibly through discussions with staff.

The next largest cost is that of the pension scheme deficit, this is fixed until 2026 and has no inflation uplift and is therefore not a cost risk – the next valuation is due at the end of 2023 with results in late 2024. Any new funding plan will be agreed at that time ensuring it is sustainable for the Company.

There will be short term pressure on cash balances due to financing Racing Digital initial system build until July 2024, although some of the cost has been funded by savings, improved results elsewhere and external funding. Delivering ongoing efficiency savings internally will make this self sustainable long term.

The wider industry strategy work, should create positive industry performance, with possible upside in income if ownership receives a boost as a result.

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, looking forward not less than 12 months, to support their conclusions, assessing risks to this assumption and understanding the mitigation which would be required. In preparing the detailed 2023 budget, in addition to assessing short term cash flow forecasts required for going concern, the Board considered high level cash flow forecasts for a 5 year period.

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 enable the Company and Group to meet their ongoing liabilities as they fall due. The Directors have therefore concluded that it remains appropriate to prepare the financial statements on a going concern basis and have not identified a material uncertainty in this regard.

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 2022.

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. A defined benefit pension surplus is recognised only to the extent that the entity has an economic right, by reference to the terms and conditions of the plan and relevant statutory requirements, to realise the asset over the course of the expected life of the plan or when the plan is settled.

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 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 and investments (notes 11,12 and 13)

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.

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.

Our investments in subsidiaries and joint ventures are assessed annually against the assets held by those companies which support the valuation and this process requires judgement over impairment and potential future cashflows.

- 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 how these might be used. 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 2022 £000	Commercial 2022 £000	Total 2022 £000
Turnover			
United Kingdom and Republic of Ireland	35,789	3,999	39,788
Total sales - Group	**35,789**	**3,999**	**39,788**
Intra group revenue (Company only)	**882**		
Total sales - Company	**36,671**		
Total operating profit / (loss) before interest and taxation	**1,355**	**(95)**	**1,260**
Net assets / (liabilities)	**10,679**	**(1,210)**	**9,469**

	Racing administration 2021 £000	Commercial 2021 £000	Total 2021 £000
Turnover			
United Kingdom and Republic of Ireland	34,507	2,390	36,897
Total sales – Group	34,507	2,390	36,897
Intra group revenue (Company only)	611		
Total sales - Company	35,118		
Total operating profit / (loss) before interest and taxation	2,179	(118)	2,061
Net assets	8,225	108	8,333

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:

	2022	2021
	£000	£000
JA Harrington	**327**	321
NJ Rust OBE	**-**	7
A Phelps CBE	**42**	100
DL Whyte	**27**	27
JW Saumarez Smith	**27**	27
Sir Paul R Stephenson	**-**	35
R Parker	**35**	-
MAM Carver CBE	**-**	20
DJ Armstrong	**27**	27
LM Cumani	**20**	27
CM Parker	**27**	27
DSJ Jones	**27**	27
JP Ferguson	**7**	-
WT Walsh	**27**	7
Total	**593**	652

The costs of JA Harrington, who was Chief Executive, are also represented within the costs included in note 4. The cost of employers NI for the above directors was £72,000 *(2021: £72,000).*

	Number of directors	
	2022	2021
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 £327,000 (*2021: £321,000*), and Company pension contributions of £50,000 (*2021: £37,000*) were made to a money purchase scheme on their behalf.

Key management personnel compensation for the group for the year which includes the total costs of the Board plus Executive team was £2,092,000 *(2021: £2,342,000).*

Notes *(continued)*

4 Staff numbers and costs

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

	Group and Company		Company*	
	2022	2021	**2022**	2021
	Number	Number	**Number**	Number
Directors	**10**	11	**9**	10
Permanent staff	**275**	263	**259**	250
Sessional staff	**18**	15	**18**	14
Horse Welfare Board (inc paid members and sessional staff)	**8**	5	**8**	5
	311	294	**294**	279

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Wages and salaries	**14,032**	13,217	**13,322**	12,623
Pension costs	**1,624**	1,577	**1,577**	1,536
Social security costs	**1,626**	1,455	**1,542**	1,389
	17,282	16,249	**16,441**	15,548

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. Separately identified in headcount are the staff employed who work on activities for the Horse Welfare Board as they are employees of the Company and their costs are included in our profit and loss account.

5 Operating profit - Group

	2022	2021
	£000	£000
Included in operating profit are the following:		
Depreciation/amortisation charge for the year:		
Tangible owned fixed assets	**204**	213
Intangible owned fixed assets	**126**	175
Loss on disposal of fixed assets	**1**	3
Operating leases:		
Building rentals (including SDLT)	**814**	814
Car leases	**419**	397
Impairment of fixed asset investment in joint venture	**414**	153
Impairment of fixed asset investment in subsidiary	**656**	-
Impairment and write off of debtor balances	**65**	19
Auditor's remuneration:		
Audit of these financial statements	**60**	51
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the company	**15**	13
Taxation compliance services	**-**	-
Other tax advisory services	**-**	-
All other services	**-**	-

Notes *(continued)*

6 Interest on loans receivable - Group

	2022	2021
	£000	£000
Effective interest on fair value of BCS loan	**24**	38
Contractual interest on BCS loan	**33**	33
	57	71

7 Other operating income - Group

	2022	2021
	£000	£000
Coronavirus Job Retention Scheme	**-**	11
	-	11

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

	2022	2021
	£000	£000
Coronavirus Job Retention Scheme	**-**	11
	-	11

Notes *(continued)*

8 Other interest receivable and similar income - Group

	2022	2021
	£000	£000
Bank interest	**28**	18
Interest on loan to related undertakings	**34**	-
	62	18

Other interest receivable and similar income - Company

	2022	2021
	£000	£000
Bank interest	**22**	11
Interest on loan to related undertakings	**34**	-
	56	11

9 Interest payable and similar expenses – Group and Company

	2022	2021
	£000	£000
Interest on assets	**(1,515)**	(1,016)
Interest on liabilities	**1,521**	1,159
Net interest expense on net defined benefit liabilities	**6**	143

Notes *(continued)*

10 Taxation - Group

	2022	2021
	£000	£000
Analysis of current tax recognised in profit and loss		
UK corporation tax at 19% *(2021:19%)*		
Current tax		
Tax on profit for the year	**-**	2
Adjustment in respect of prior periods	**7**	61
Total current tax	**7**	63
Deferred tax credit for the year	**-**	(9)
Total tax charge / (credit)	**7**	54

Reconciliation of effective tax rate

	2022	2021
	£000	£000
Profit excluding taxation	**1,373**	2,007
Tax using the UK corporation tax rate of 19% *(2021:19%)*	**261**	381
Effects of:		
Expenses not deductible for tax purposes	**70**	46
Pension costs not immediately deductible	**(228)**	(230)
R&D tax credits	**(178)**	(171)
Unused losses created with no future value	**83**	-
Over provided in prior year	**7**	61
Depreciation (less than) / in excess of capital allowances	**(8)**	(33)
Total tax charge / (credit) (see above)	**7**	54

The Company has claimed R&D tax credits for 2021 which were used to reduce the Company's tax liability along with some brought forward losses. The Group will continue to seek to claim R&D tax credits 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. Estimated claims for 2022 are included in the numbers above and along with group relief are anticipated to reduce taxable profits to zero.

Factors that may affect future tax charges:
A deferred tax asset of £0 *(2021: £9,000)* has been recognised in the balance sheet in respect of anticipated R&D credits. In addition, £0 *(2021: £141,000)* has not been recognised on the Group's pension scheme liability. There are also unrecognised trading losses of £311,000 *(2021: £383,000)* which again are unrecognised due to likely insufficient taxable profits to use them against.

The tax rate is 19% for the Balance Sheet date of 31 December 2022. This rate is going to increase to 25% from 19% from April 2023. Deferred tax balances at this date have been measured at 14.5%, 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

	2022 £000	2021 £000
Analysis of current tax recognised in profit and loss		
UK corporation tax at 19% *(2021:19%)*		
Current tax		
Adjustment in respect of prior years	**9**	74
Total current tax	**9**	74
Deferred tax credit for the year	**-**	(9)
Total tax charge / (credit)	**9**	65

	2022 £000	2021 £000
Reconciliation of effective tax rate		
Profit excluding taxation	**1,485**	2,056
Current tax at 19 % (*2021:19 %)*	**282**	391
Effects of:		
Expenses not deductible for tax purposes	**184**	33
Pension costs not immediately deductible	**(228)**	(230)
R&D tax credits	**(178)**	(171)
Over provided in prior year	**9**	74
Brought forward losses and group relief	**(52)**	-
Capital allowances (more) / less than depreciation	**(8)**	(32)
Total tax charge (see above)	**9**	65

The Company claimed R&D tax credits for 2021 which were used to reduce the Company's tax liability along with some brought forward losses. The Group will continue to seek to claim R&D tax credits 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. Estimated claims for 2022 are included in the numbers above and along with group relief are anticipated to reduce taxable profits to zero.

Factors that may affect future tax charges:

A deferred tax asset of £0 *(2021: £9,000)* has been recognised in the balance sheet in respect of anticipated R&D credits. In addition, £0 *(2021: £141,000)* has not been recognised on the Group's pension scheme liability. There are also unrecognised trading losses of £311,000 *(2021: £383,000*) which again are unrecognised due to likely insufficient taxable profits to use them against.

The tax rate is 19% for the Balance Sheet date of 31 December 2021. This rate is going to increase to 25% from 19% from April 2023. Deferred tax balances at this date have been measured at 14.5%, 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 2022	2,480	2,480
Additions	5	5
Disposals	-	-
At 31 December 2022	**2,485**	**2,485**
Amortisation		
At 1 January 2022	2,123	2,123
Charge for the year	126	126
Disposals	-	-
At 31 December 2022	**2,249**	**2,249**
Net book value		
At 31 December 2022	**236**	**236**
At 1 January 2022	357	357

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 2022	1,289	2,159	3,448
Additions	-	151	151
Disposals	-	(69)	(69)
At 31 December 2022	**1,289**	**2,241**	**3,530**
Depreciation			
At 1 January 2022	1,278	1,647	2,925
Charge for the year	6	198	204
Disposals	-	(69)	(69)
At 31 December 2022	**1,284**	**1,776**	**3,060**
Net book value			
At 31 December 2022	**5**	**465**	**470**
At 1 January 2022	11	512	523

Tangible fixed assets – Company

	Leasehold improvements £000	Fixtures, fittings and office equipment £000	Total £000
Cost			
At 1 January 2022	1,289	2,109	3,398
Additions	-	151	151
Disposals	-	(69)	(69)
At 31 December 2022	**1,289**	**2,191**	**3,480**
Depreciation			
At 1 January 2022	1,278	1,611	2,889
Charge for the year	6	192	198
Disposals	-	(69)	(69)
At 31 December 2022	**1,284**	**1,734**	**3,018**
Net book value			
At 31 December 2022	**5**	**457**	**462**
At 1 January 2022	11	498	509

Notes *(continued)*

13 Fixed asset investments

Total fixed asset investments comprise:

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Investment in subsidiaries	-	-	2,800	3,456
Investment in Joint Ventures	1,508	553	1,508	553
Total	**1,508**	**553**	**4,308**	**4,009**

The Company has the following direct investments:

	Country of incorporation	Number of shares	Class of shares held	Ownership 2022	Ownership 2021
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%	50%
Horseracing Regulatory Authority Limited*	UK	1,000	Ordinary	100%	100%

The three companies marked with * are all dormant companies and no longer trade. All of the above companies have their registered office at Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN.

The Company has the following indirect investments through its subsidiaries:

	Country of incorporation	Number of shares	Class of shares held	Ownership 2022 %	Ownership 2021 %
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 Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN.

13a Subsidiaries and associates

	Company	
	2022	2021
	£'000	£'000
Cost at 1 January	4,004	4,004
Additions	-	-
Cost at 31 December	**4,004**	**4,004**
Impairment at 1 January	(548)	(548)
Charge in the year	(656)	-
Impairment at 31 December	**(1,204)**	**(548)**
Net book value at 31 December	**2,800**	**3,456**

13b Joint Ventures

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
At 1 January	553	-	553	-
Loans / investment	1,335	706	1,335	706
Share of profit or loss	(414)	(153)	-	-
Impairment	-	-	(414)	(153)
Capitalised interest	34	-	34	-
At 31 December	**1,508**	**553**	**1,508**	**553**

Racing Digital was created as a Joint Venture between the Company and Weatherbys Limited in July 2021. The above represents the long term loans and capitalised interest on those loans. In the Company the impairment is made where the carrying value is not supported by the net assets of the joint venture or by future profits. In the Group the loans are offset by the share of profits or losses in the year.

Notes *(continued)*

14 Debtors

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Trade debtors	**2,157**	1,731	**2,157**	1,731
Amounts owed by group undertakings	**-**	-	**392**	372
Corporation tax asset	**13**	193	**-**	182
Deferred tax asset	**-**	9	**-**	9
Other debtors	**4.454**	4,714	**4,454**	4,714
VAT	**73**	41	**-**	-
Loan owed by BCS Limited	**865**	1,180	**-**	-
Prepayments and accrued income	**1,313**	1,330	**934**	927
	8,875	9,198	**7,937**	7,935
Due within one year	**7,696**	7,164	**7,249**	6,709
Due after one year	**1.179**	2,034	**688**	1,226
	8,875	9,198	**7,937**	7,935

The above loan balance of £865,000 represents an amount drawn down by BCS Limited and accrued interest. 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, £57,000 is recognised in 2022 with £33,000 being contractual interest and £24,000 being effective interest on the fair value of the loan. The next repayment of £374,000 is scheduled for December 2023 at which stage a further £42,000 of total interest will be recognised. £1,846,000 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	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Cash at bank and in hand	**8,200**	8,932	**5,936**	6,222
Short term deposit	**802**	799	**802**	799
Ring fenced cash	**6,032**	4,672	**6,032**	4,672
	15,034	14,403	**12,770**	11,693

Notes *(continued)*

16 Creditors: amounts falling due within one year

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Trade creditors	**1,729**	1,663	**1,496**	1,422
Amount owed to group undertakings	**-**	-	**12**	-
Corporation tax	**-**	-	**-**	-
Other taxes and social security	**1,017**	884	**1,005**	871
Other creditors	**10,981**	9,628	**10,981**	9,556
Accruals and deferred income	**2,117**	2,374	**2,035**	2,374
	15,844	14,549	**15,529**	14,223

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Other creditors	**810**	1,182	**810**	1,182
	810	1,182	**810**	1,182

18 Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Assets measured at amortised cost	**16,478**	17,356	**13,717**	13,829
Liabilities measured at amortised cost	**15,637**	14,730	**15,334**	14,417

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 2023 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 has a Defined Benefit ('DB') pension scheme for past service. This was closed to future accrual on 31 December 2015. This is operated under a trust agreement.

The Company also operates a Defined Contribution ('DC') scheme through the Legal and General ('LGIM') Master Trust. The LGIM Master Trust is also used for the purposes of auto enrolment.

DB Scheme

The latest full actuarial valuation of the DB Scheme was carried out at 31 December 2020 and was updated for FRS 102 purposes to 31 December 2022 by a qualified independent actuary.

The company will contribute £1,206,000 as an annual deficit repair payment in 2023 and has a recovery plan agreed with the trustees of the Scheme that means these payments remain in place until May 2026. This recovery plan was agreed as a result of the 2020 triennial valuation.

The trustees of the Scheme have a guarantee from the Horserace Betting Levy Board ('HBLB'). This guarantee is effective until 31 December 2032.

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 2022 £000**	Value at 31 December 2021 £000
Defined benefit obligation	**(56,382)**	(85,989)
Plan assets	**56,683**	85,019
Surplus / (deficit)	**301**	(970)
Effect of asset ceiling	**(301)**	-
Net defined pension asset / (liability)	**-**	(970)

Notes *(continued)*

19 Pension scheme *(continued)*

Movements in present value of defined benefit obligation:

	Value at 31 December 2022 £000	Value at 31 December 2021 £000
At start of year	**85,989**	97,942
Current service cost	**-**	-
Past service cost	**-**	-
Interest cost	**1,521**	1,159
Actuarial losses / (gains) due to assumption changes	**(30,924)**	(8,260)
Experience loss / (gain)	**2,775**	(2,120)
Contributions by members	**-**	-
Benefits paid	**(2,979)**	(2,732)
At end of year	**56,382**	85,989

Movements in fair value of plan assets:

	Value at 31 December 2022 £000	Value at 31 December 2021 £000
At start of year	**85,019**	85,322
Interest on assets	**1,515**	1,016
Actuarial gain / (loss) on scheme assets	**(28,078)**	60
Contributions by employer	**1,206**	1,353
Contributions by members	**-**	-
Benefits paid	**(2,979)**	(2,732)
At end of year	**56,683**	85,019

Expense recognised in the profit and loss account:

	31 December 2022 £000	31 December 2021 £000
Current service cost	**-**	-
Past service cost	**-**	-
Net interest on net defined benefit liability	**6**	143
Total expense recognised in profit and loss	**6**	143

The total amount recognised in other comprehensive income is a loss of £230,000 *(2021: profit* of *£10,440,000*).

Cumulative actuarial losses reported in other comprehensive income for accounting periods ending on or after 22 June 2002, are losses of £9,822,000 *(2021*: *£9,592,000*).

Notes *(continued)*

19 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 2022 £000	Value at 31 December 2021 £000
Equities and other return seeking assets	**6,897**	11,218
Bonds and other defensive assets	**46,468**	66,795
Property	**1,938**	3,627
Cash	**1,380**	3,379
Annuity	**-**	-
Total market value of assets	**56,683**	85,019
Actual return on plan assets	**(26,563)**	1,076

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

	31 December 2022	31 December 2021
Discount rate	4.80%	1.80%
Inflation (Consumer Price Index)	3.00%	3.20%
Inflation (Retail Price Index)	3.40%	3.60%
Pension increase (RPI max 5%)	3.15%	3.30%
Pension increase (RPI max 2.5%)	2.15%	2.20%
Pension increase (CPI max 2.5%)	2.00%	2.10%

In valuing the liabilities of the pension fund at 31 December 2021, 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: 22.4 years (male), 24.8 years (female). *(2021: 22.4 years (male), 24.7 years (female))*
- Future retiree, currently aged 45, upon reaching 65: 23.7 years (male), 26.2 years (female). *(2021: 23.7 years (male), 26.1 years (female))*

The discounted value of the liabilities is sensitive to the assumptions applied. For reference:

- A reduction of 0.5% in discount rate would increase liabilities by £3.7m
- An increase in inflation of 0.1% would increase liabilities by £0.3m
- An increase in life expectancy of 1 year would increase liabilities by £2.5m

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)*

19 Pension scheme *(continued)*

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

	2022	2021	2020	2019	2018
	£000	£000	£000	£000	£000
Present value of scheme liabilities	**(56,382)**	(85,989)	(97,942)	(85,772)	(78,048)
Fair value of scheme assets	**£56,683**	85,019	85,322	77,056	69,821
Effect of asset ceiling	**(301)**	-	-	-	-
Deficit	**-**	(970)	(12,620)	(8,716)	(8,227)

Experience adjustments:

	Year ending 31 December 2022	Year ending 31 December 2021	Year ending 31 December 2020
Difference between the expected and actual return on scheme assets – gain/(loss):			
Amount (£000)	**(28,078)**	60	7,867
Percentage of year end scheme assets	**49%**	0%	9%
Experience gains and (losses) on scheme liabilities:			
Amount (£000)	**(2,775)**	2,120	927
Percentage of year end scheme liabilities	**4.9%**	2.5%	0.9%
Total amount recognised in other comprehensive income – gain/(loss):			
Amount (£000)	**(230)**	10,440	(5,068)
Percentage of year end scheme liabilities	**0.4%**	12.1%	5.2%

The DB 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 £1,206,000 to the Scheme in 2022 *(2021: £1,352,500)*.

Analysis of amount recognised in other comprehensive income ('OCI')

	Year ending 31 December 2022 £000	Year ending 31 December 2021 £000	Year ending 31 December 2020 £'000
Actuarial gain / (loss) on scheme assets	**(28,078)**	60	7,867
Changes in actuarial assumptions	**30,924**	8,260	(13,862)
Experience gains / (losses)	**(2,775)**	2,120	927
Losses / (gains) from change in asset ceiling	**(301)**	-	-
Actuarial (loss) / gain recognised in OCI	**(230)**	10,440	(5,068)

Notes *(continued)*

19 Pension scheme *(continued)*

Analysis of amount recognised in other comprehensive income (continued)

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

Defined contribution scheme

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 was £1,577,170 in 2022 *(2021: £1,536,406)*.

Year end balances

The amount payable to the DB pension fund for deficit repair contributions as at 31 December 2022 was £100,500 *(2021: £100,500).* The amount payable to the LGIM Master Trust in respect of DC contributions at 31 December was £155,000 *(2021: 145,000)*.

In addition, the Company paid £24,000 into the personal pension schemes of certain employees *(2021: £24,000)*.

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.

Notes *(continued)*

21 Commitments

The Group has a contract with Weatherbys Limited for the provision of substantial racing and general administration services which commenced 12 July 2021 and operates for 10 years. The Company also signed a joint venture agreement on the same date with Weatherbys Limited for maximum cash commitments to Racing Digital over the same 10 year period of £13.7m.

At 31 December 2022 the Group and Company had commitments under non-cancellable operating leases as follows:

	2022		2021	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Expiring:				
Within one year	**686**	**285**	1,000	315
Between one and five years inclusive	**2,075**	**386**	430	328
Over five years	**134**	**-**	66	-
	2,895	**671**	1,496	643

Land and buildings includes the lease on 75 High Holborn where we have exercised our break clause effective from 30 April 2023. We have signed a new lease on 26 Southampton Buildings (Holborn Gate) which will take effect from 10 March 2023 and runs for 10 years with a flexible break between years 4 and 5. For the purposes of the above we have assumed costs of 5 years for Holborn Gate. The balance relates to commitments with the British Racing School.

The lease commitments included in other relate to motor cars.

22 Net debt reconciliation

	At 1 January 2022	**Cash flow**	**At 31 December 2022**
	£000	£000	£000
Cash at bank and in hand	8,932	(732)	8,200
Ring fenced cash	4,672	1,360	6,032
Short term deposits	799	3	802
Net funds	14,403	631	15,034

Notes *(continued)*

23 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 directors being a member of the Board of the Company, or as a member body of the Company. A full list of related parties is shown in our register of director's interests.

- Racecourse Association Limited
- Racecourse Technical Services Limited
- Racehorse Owners Association Limited
- Thoroughbred Breeders Association
- National Trainers Federation
- Horsemen's Group
- British Champions Series Limited
- British Horseracing Database Limited
- Racing Digital Limited
- Great British Racing Limited
- Horserace Betting Levy Board

Notes *(continued)*

24 Related party transactions *(continued)*

Other related party transactions

	Sales and recharges to		Administrative expenses incurred from	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Racecourse Association Limited	**2**	2	**-**	-
Racecourse Technical Services Limited	**-**	-	**252**	249
Racehorse Owners Association Limited	**2**	3	**-**	-
Professional Jockeys Association	**1**	-	**7**	-
Thoroughbred Breeders Association	**1**	18	**4**	-
National Trainers Federation	**1**	1	**-**	-
Horsemen's Group	**-**	-	**-**	-
Racing Digital Limited	**9**	-	**-**	-
Horserace Betting Levy Board	**449**	1,237	**-**	-
Great British Racing Limited	**1,679**	1,214	**-**	-
British Horseracing Database Limited	**142**	158	**5,242**	5,356
British Champions Series Limited	**614**	380	**-**	-
	2,900	3,013	**5,505**	5,605

Notes *(continued)*

24 Related party transactions *(continued)*

	Receivables outstanding		Creditors outstanding	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Racecourse Association Limited	**-**	-	**-**	-
Racecourse Technical Services Limited	**-**	-	**40**	40
Racehorse Owners Association Limited	**-**	-	**-**	-
Thoroughbred Breeders Association	**3**	18	**-**	-
National Trainers Federation	**-**	-	**-**	-
Horsemen's Group loan	**125**	125	**-**	-
Horsemen's Group loan provision	**(125)**	(125)	**-**	-
Horserace Betting Levy Board	**94**	121	**-**	-
Great British Racing Limited	**368**	363	**-**	-
British Horseracing Database Limited	**12**	9	**-**	-
Racing Digital Limited – trade receivables	**9**	-	**-**	-
British Champions Series Limited – trade receivables / payables	**68**	22	**-**	-
British Champions Series Limited - loan	**865**	1,180	**-**	-
	1,419	1,713	**40**	40