

RACECOURSE LICENSING **FINANCIAL SUITABILITY ASSESSMENT**

INTRODUCTION

1. As part of the racecourse licensing process, the British Horseracing Authority (“**BHA**”) requires applicants to demonstrate their financial viability. The BHA has developed a risk-based financial suitability assessment to replace the financial Statement of Account previously required.
2. This assessment is underpinned by the established ‘comply or explain’ concept, adopted by many regulators, and is designed to be a pragmatic tool to assess financial risk factors without the need for inflexible and burdensome financial statements being completed. This procedure will ensure there is a transparent process for the BHA to assess a racecourse’s financial information and, where necessary, request additional information to satisfy itself of this requirement.
3. As part of a racecourse’s annual licence application, each racecourse will be required to use the flow chart at **Annex 1** to identify and declare, by reference to their last set of company accounts filed at Companies House (or equivalent), the category under which they fall. Depending on each racecourse’s category, certain additional information will be required by the BHA for it to properly assess the racecourse’s financial suitability. Where a racecourse is not an incorporated entity, the racecourse is required to provide to the BHA a copy of its latest set of financial accounts. Provision of this information will be a condition of a racecourse licence being granted.
4. During the term of any racecourse licence, the BHA reserves the right to request additional financial information from a racecourse in any category in the event that the BHA has concerns regarding the racecourse’s ongoing financial suitability (e.g. if a racecourse fails to pay prize money in line with the Rules of Racing).

RACECOURSE CATEGORIES

5. The categories and reporting requirements under each are as follows:
 - 5.1. **Category A**

The racecourse applicant must be audited, have net assets, be profitable and have positive cashflow. In such circumstances, no further information is required.
 - 5.2. **Category B**

Audited - where the racecourse applicant is an audited company but does not meet one of the three Category A criteria (assets, profitable and cash flow +ve), the applicant is required to complete a statement explaining (i) why and (ii) how this might impact and be mitigated going forward. The BHA expects this statement to complement and expand on, where appropriate, the work completed to confirm going concern status during the audit.

Unaudited - where a racecourse applicant is not audited but passes the three financial tests they will also fall into this category. The racecourse applicant is required to provide a statement to explain the results and why they consider themselves a going concern, given their accounts have not been audited.

5.3. Category C

Audited – in the event that it is not appropriate for the audit statement to be made on a unqualified basis with the going concern presumption satisfied rather it is either qualified or the accounts have been prepared on a break up basis, the racecourse applicant is required to provide additional financial information to the BHA. The information requested by the BHA will differ on a case by case basis, depending the nature of the financial concerns.

Unaudited – unaudited racecourse applicants who fail one or more of the financial tests are required to answer more detailed questions about how they will fund their activities going forward and why they had issues the previous year. The specific information requested by the BHA will differ on a case by case basis, depending the nature of the financial concerns.

6. In respect of racecourse groups, where the applicant entity is the same throughout all racecourses within that group, the BHA only requires a single self-certification that will attach to the licences of each racecourse within that group. In the event that a racecourse group applies for licences for their group racecourses through separate corporate entities, separate identification of the individual racecourse's category and declaration requirements (i.e. self-certification statements if a Category B racecourse) will be required for each.

RISK BASED APPROACH TO RACECOURSE FINANCIAL SUITABILITY
FLOW CHART

Notes: Audit exemption criteria

A company may qualify for an audit exemption if it has at least 2 of the following:

- an annual turnover of no more than £10.2 million
- assets worth no more than £5.1 million
- 50 or fewer employees on average



