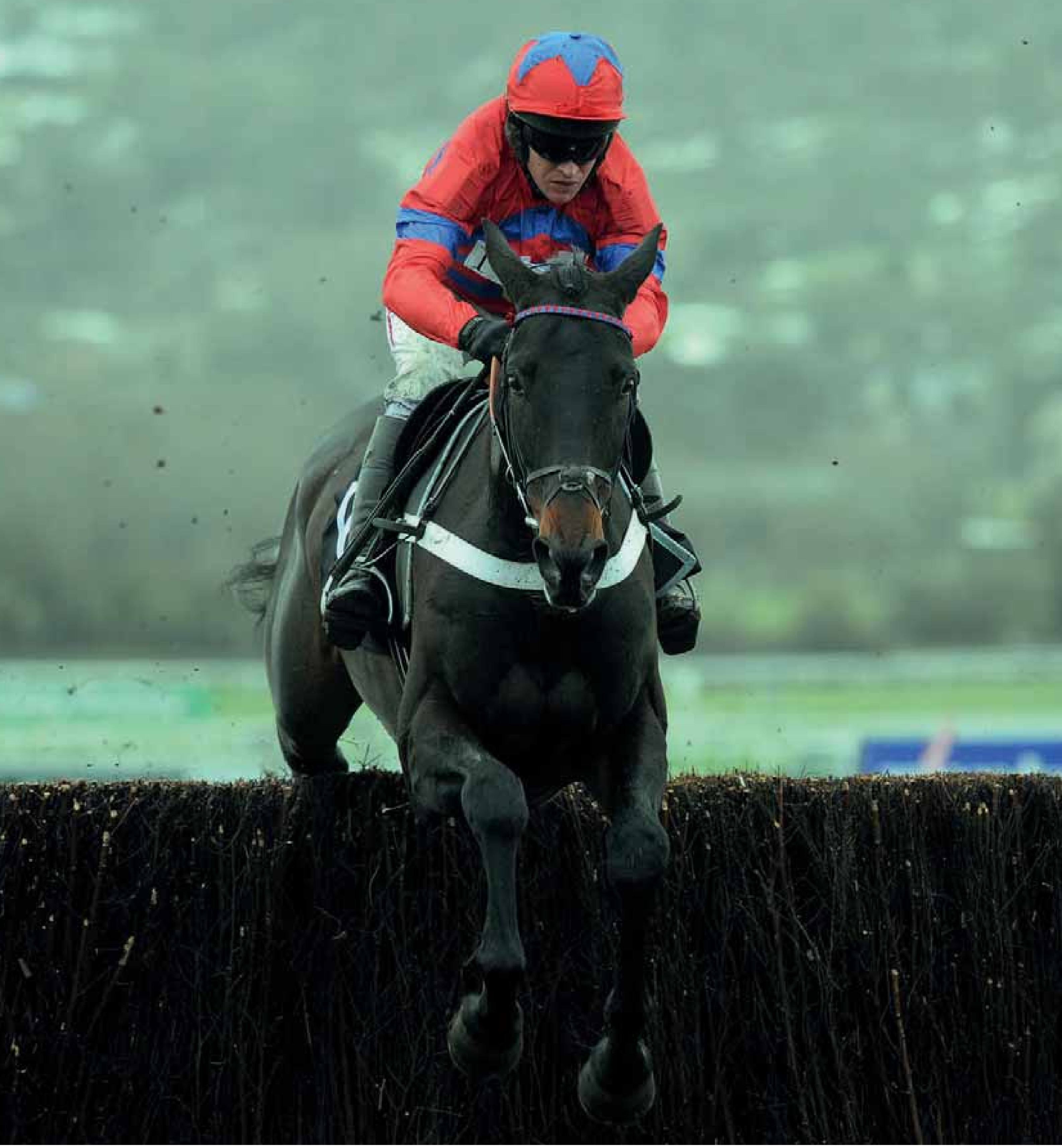

HORSERACE BETTING LEVY BOARD

HBLB

2012/13 ANNUAL REPORT

The Horserace Betting Levy Board Annual Report and Accounts 2012/13

Report and Accounts presented to Parliament pursuant to Section 31 of the Betting, Gaming and Lotteries Act 1963 (as amended by Article 3(2) of the Gambling Act 2005 (Commencement No. 6 and Transitional Provisions) Order 2006 (SI 2006/3272))

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CHAIRMAN'S STATEMENT

I am pleased to report that, in a busy year, further progress has been made in a range of areas.

Levy income has now stabilised. Total income for the year under review was £74.8m as contrasted with £74.9m the previous year. Our expenditure rose to £66.3m including an additional £4.7m towards prize money. We maintained a close focus on efficiency and by prudent housekeeping our reserves now stand at £42.3m. This represents a major turnaround in our financial position when contrasted with that at March 2011 when our reserves were as low as £17.4m.

This additional strength gives us the opportunity to plan somewhat more expansively and constructively for the future. We have therefore set a budget for prize money contribution for the 2013 calendar year of over £50m, the first time this allocation has reached that level since 2010. Going forward we will maintain a broadly balanced budget, operating within clearly defined financial parameters. The Board has now set for the first time a specific range for cash reserves, arrived at following detailed analysis by the Executive of the major risks to Levy Board income.

In this regard, the guarantees which were given by William Hill, Ladbrokes and Coral as part of the 51st Levy Scheme agreement, together with the commitment from Betfair, were critical in enabling the Board to increase expenditure significantly in the current year. With our allocation of £50m in prize money, there is every prospect that the total prize money pool in 2013 will reach a new record, exceeding the £110m of 2009. I am pleased to note that, in addition to the Levy Board's contribution, racecourses themselves maintained their contribution which has significantly increased in the last few years.

Additionally, because of our re-established financial strength, we have been able to reintroduce loans to racecourses; a facility much appreciated. The loans made available over many years have enabled some major transformations of facilities at racecourses large and small. These loans now bear interest of 4% as agreed by the Board. This rate was considered a sensible balance between competitive rates for the racecourses and the desire of the Levy Board to ensure an appropriate return on its funds.

The manner of negotiations surrounding the 52nd Levy Scheme is another example of further progress. For the first time in three years, the Levy Scheme was agreed well before the October deadline. Both Racing and Betting adopted a positive and constructive approach and the major three bookmaking firms extended their guarantees for a further year. In addition, Betfair made further payment under its five year agreement with Racing.

In the course of the year the Levy Board unfortunately found itself involved in judicial proceedings on two occasions in relation to the previous vexed question of what constitutes a bookmaker. In June 2011 the Board, by a majority, decided that certain users of exchanges, notwithstanding their size or method of operation, did not as such constitute bookmakers. The Board's decision was initially Judicially Reviewed in summer 2012 when the High Court found in the Board's favour. William Hill then sought to appeal that finding and that appeal was heard in the Court of Appeal in March of this year. A clear, extensive and strong judgement was given by the Court of Appeal which unanimously confirmed the view taken by the majority of the Levy Board in 2011. I am pleased that this issue is now settled and thereby a matter likely to cause a degree of friction has been removed.

For so long as the structure of the Levy exists, the Levy Board will continue to seek to improve relationships between Betting and Racing for their mutual benefit built on trust, integrity and discretion, by which we seek to characterise our relationships with both parties. The year under review was one of substantial progress notwithstanding the difficult economic climate and there have been encouraging signs of strength in betting on British horseracing. There is much more to do but we continue to address these challenges with optimism.

This year we bid a fond farewell to Douglas Erskine-Crum. He held the post of Chief Executive of the Levy Board for five years and in April 2013 took up a new position as Chief Executive of Juddmonte Group. He was an outstanding Chief Executive of the Levy Board and I am sure will make an equally outstanding Chief Executive at Juddmonte.

Douglas joined the Levy Board in 2008. It was a challenging time but by his leadership, courtesy and considerable intelligence, linked with a passion for racing and copious amounts of energy, he achieved a great deal indeed, and much of what I cover in this report bears his hallmark. He left behind a strong and committed management team. We owe him a debt of gratitude. I particularly owe him a great deal for his support, wise counsel and extraordinary patience which has meant a great deal to me. On his departure, the Levy Board carefully considered what should be its future management structure. In Alan Delmonte, the previous Operations Director, the Board had an outstanding candidate to take over the revised role of Chief Executive which also now comprises elements of the role he previously carried out.

Both he and Rob Skeggs as Finance Director now have significantly enhanced roles as part of a new streamlined executive team. They and the other members of staff continue to serve the Board extremely well and provide a highly efficient and cost-effective service.

My thanks go too not merely to the Executive for another successful year in which they accomplished a great deal, but also to the Board for their contributions in which respect I would particularly like to thank Paul Dixon, who left the Board at the end of his term of office as Horsemen's Group Chairman. I wish also to record my thanks to Will Roseff for his highly constructive approach during the year. He plays at odds of 3/1 against as the only appointee of Racing's partner Betting, Racing itself having three appointees. Will is supported ably by Thomas Murphy, Vice Chairman of the Bookmakers' Committee, in his capacity as Observer.

I am honoured to have been asked by the Minister for Sport, Hugh Robertson, to serve a further four-year term until 2017. I look forward to continuing to build strong relationships between Racing and Betting and to seeing the Levy Board's valued input into strategic planning continue to thrive. I am most grateful again to those in Betting and Racing who give me such insight into their activities. So much work goes on to ensure that horses are prepared and trained to the highest standards. The efforts of those in the racing industry to put on the show are then promoted and rewarded through the initiative of the betting industry. It is a complex fabric of relationships but at its heart is a great sport. I am proud to continue to be a part of it.

Paul Lee
Chairman

CHIEF EXECUTIVE'S REVIEW

I am extremely pleased to have been given the opportunity to lead the organisation from April 2013 after three years as Operations Director. That was a period in which, despite having had to make significant reductions in expenditure, the Board ensured that continuity in key areas was maintained. We have also reviewed the way in which funds are allocated under every heading in our distribution budget, in some cases for the first time in many years.

A key achievement is to have ensured that, as the Board's income is driven by betting on British racing, as many fixtures as possible are staged within the structure of its Fixture Criteria, the optimum pattern of racedays through the year. Calendar year 2013 has seen all Fixture Criteria slots filled, compared to 28 gaps in 2012.

Better informed decisions are now possible in no small part because of the provision of confidential race by race betting data from five major bookmakers. Analysis which the Executive is then able to carry out makes a strong case that, without approximately the current number of fixtures staged at their existing times, Levy income would almost certainly fall. Other income to Racing, such as to racecourses for picture rights, would also be likely to decline.

The work conducted in this area reflects the strong relationships with Betting and Racing which are essential if the Board is to maintain effectiveness. Its Betting Patterns Working Party (BPWP) benefited in the course of the year from a more tightly defined membership, enhanced data analysis and, as a new initiative, the creation of a sub-group of half a dozen racing, betting and Board executives who meet monthly and hold a weekly call.

The BPWP oversaw a number of initiatives during the year, assisted by the provision of the new £500,000 Racing and Betting Incentive Fund created by the Board to drive Levy-generating opportunities. These included additional Matinee (late morning) fixtures on a trial basis, extra Twilight fixtures and new Interactive Race Planning races aimed at horses ready to race but without an imminent suitable opening already in the race programme. The Board has a new £300,000 fund in calendar year 2013 aimed at improving the quality of Sunday racing, rewarding those racecourses making significant investment of their own.

It has become second nature to move quickly to add additional opportunities to replace fixtures lost to bad weather. The Board now provides funding immediately to make this possible, which was particularly beneficial in the 51st Levy Scheme period given that the number of fixtures lost was 166 (against 38 the previous year), mitigated by the 63 additional fixtures to which the Board contributed the majority of funding.

According a high priority to Levy generation and maximisation is not mutually exclusive from providing substantial funds for higher-class racing. Indeed, the Board's distribution mechanism actively tilts its support towards excellence. The Board's allocation to prize money for BHA's Quality Support Fund rose to some £5m in calendar year 2012 and has increased again to £6.5m in 2013. There will also be a rise to £300,000 in the prize money contribution to British Champions Day in 2013, up from £90,000 in the two preceding years.

Further changes were made to the way in which the majority of the Board's allocation to prize money is determined and it was pleasing to implement a system which rewards a racecourse based on its performance in just a single previous year. This represents the next stage of an increasingly incentive-driven mechanism introduced by the Board. It is a significant advance compared to the three-year averages used in 2010 and earlier years.

The objective is to move a stage further and introduce a prospective award system, which would be even more responsive. The pros and cons of doing so will be considered within proposals from Racing after the Board asked the BHA, on behalf of the sport, to make recommendations for the distribution of certain funds in 2014.

A reflection of the Board's keenness to consider longer term planning options with Racing and Betting was the replacement of the Board's annual Policy Statement with a Business Plan, published in early 2013. It set out priorities for the year along with details of the specific initiatives to which the Board had given approval.

Expecting structured submissions and accountability from recipients of funding is normal practice for a grant giving body and the Levy Board should be no different in this respect. An example of how existing practices can be adapted is the change to the Board's grants to point to point racing. The previous flat rate payments to eligible fixtures have been replaced with an arrangement akin to the Board's Fixture Incentive Scheme for horseracing, with a bigger payment to fixtures in slots less attractive to stage.

The Board's commitment to the breeding industry will see £1.1m allocated to the new British Owners and Breeders Incentive Scheme (BOBIS), which supersedes the long-standing Breeders' Prizes Scheme on the Flat. Importantly, the National Hunt Breeders' Prizes Scheme continues and indeed the budget for these awards for Jump racing has risen by 33% in calendar year 2013.

These allocations are taken into account in determining the split of the Board's total prize money allocation as between Flat and Jumping which, for the first time, is linked in calendar year 2013 to the amount of Levy generated by each code of racing. This sees Flat racing receive 61% and Jumping 39%.

The more settled financial environment also made possible, from December 2012, an indicative multi-year commitment to the veterinary science and education budget, including a stepped approach intended to increase the budget from £1.6m to £2m over three years. More so than in some other areas of the Board's work, certainty about future funding levels is of particular benefit here.

As the Chairman's Statement has set out, the Board was able to restore its much valued capital loans to racecourses. A clearer, formal set of criteria against which applications are judged were circulated to racecourses in summer 2012. Just over £9m was made available and applications totalling £8m were provisionally approved, in December 2012, covering loans to 17 different racecourses.

The year also saw the winding up of the Board's defined benefits retirement scheme, which is now owed no further obligation by the Board. Thanks are due to trustees past and present for their overseeing of the scheme.

There was, once again, a saving in underlying administrative costs which were lower than at any time in the last four years. A further reduction is envisaged with the move to new office accommodation by the end of 2013. However, with staff now numbering no more than 15, including those supporting the Bookmakers' Committee, the scope for other significant efficiencies is limited as the Board must be sufficiently resourced to meet its statutory obligations to the appropriate standards.

The Board continues to fulfil an important role in providing quality of service, an objective and impartial perspective and a bridge between Racing and Betting. That the Board has been able to do so in recent years is testament to the contribution of Douglas Erskine-Crum, whom I'd like to thank for his unfailing and enthusiastic support of me and of our highly committed staff in his time as Chief Executive.

Alan Delmonte
Chief Executive

REMUNERATION REPORT

(i) Unaudited Information

Government Appointed Board Members

The Chairman and the Government Appointed Members of the Board are appointed by the Secretary of State, on terms set on the basis of advice from the Civil Service Senior Salaries Review Body, for a period of between three and four years.

Paul Lee was appointed Chairman for a four-year term commencing on 1st October 2009. His contract provides for approximately five days' work per month on average, not including attendance at race meetings and associated events.

Paul Darling was re-appointed as a Government Appointed Member of the Board for three years commencing 14th July 2011. Paul Bolt was appointed as Government Appointed Member of the Board on 3rd October 2011 on a term of up to three years. The total time commitment for each of the Government Appointed Members of the Board is expected to be approximately 2–3 days per month.

The appointments of the Chairman and the Government Appointed Members of the Board may be terminated at any time by either party giving written notice, which is usually three months.

The appointments of the Government Appointed Members of the Board are not pensionable and no pension contributions have been paid by the Board on their behalf.

Chairman of the Bookmakers' Committee

The Chairman of the Bookmakers' Committee is appointed as a Board Member (section 24(2) of the Betting, Gaming and Lotteries Act 1963 (as amended)). Will Roseff was appointed to the Board on 29th March 2010, at the same time that he was appointed as Chairman of the Bookmakers' Committee until 31st March 2011. In March 2011 he was re-appointed for a further two years with effect from 1st April 2011 and again in March 2013 with effect from 1st April 2013. It is customary for the remuneration of the Bookmakers' Committee's appointee to equate to that of the Government Appointed Members of the Board.

Jockey Club Appointees

Under section 24(2) of the Betting, Gaming and Lotteries Act 1963 (as amended), three Board Members are appointed by the Jockey Club. These Board Members do not receive any remuneration.

Chief Executive

The Chief Executive is appointed on an open-ended contract, which may be terminated by the Board giving not less than twelve months' notice in writing or the employee giving not less than six months' notice in writing.

Under section 24(7) of the Betting, Gaming and Lotteries Act 1963 (as amended), the Levy Board has the power to appoint officers, servants and agents on such terms as to remuneration, pensions or otherwise as the Board may determine. The Remuneration Committee determines the remuneration of the Chief Executive.

Douglas Erskine-Crum, who was Chief Executive during the year ended 31st March 2013, left the Board on 7th April 2013 and was succeeded by Alan Delmonte with effect from 8th April 2013. In 2012/13, the Chief Executive was not eligible to receive a bonus payment and none of his salary was performance related. The Chief Executive was not a member of the pension scheme and no pension contributions were paid by the Board on his behalf.

Sickness Absence

Average sickness absence per person employed by the Board during the year ended 31st March 2013 was 1.6 days (2011/12: 1.9 days).

Equality

The Board continues to operate, in all areas of its activity, in line with the Equality Act 2010 and its own Equal Opportunity Policy, and continues to monitor recruitment and employment. There continues to be full equality of access to promotion, training and other features of employment, regardless of race, within the Board. Control measures are in place to ensure that all of the Board's obligations under equality, diversity and human rights legislation are complied with.

(ii) Information subject to Audit

The table below provides details of the salaries and benefits in kind of the Board members who are remunerated. None of these individuals are entitled to receive performance related bonuses and no pension contributions have been paid by the Board on their behalf.

	2013			2012		
	Board salaries £	**Benefits in kind £**	**Total £**	Board salaries £	Benefits in kind £	Total £
Board Members						
Paul Lee – Chairman	63,020	–	**63,020**	63,020	–	63,020
Paul Bolt – Independent Member (appointed 3/10/2011)	19,470	–	**19,470**	9,685	–	9,685
Penny Boys – Independent Member (retired 30/6/2011)	–	–	–	6,473	–	6,473
Paul Darling – Independent Member	19,470	–	**19,470**	19,470	–	19,470
Will Roseff – Chairman of the Bookmakers' Committee	19,470	–	**19,470**	19,470	–	19,470
Chief Executive and Accounting Officer						
Douglas Erskine-Crum	230,000	5,457	**235,457**	230,000	5,243	235,243
	351,430	**5,457**	**356,887**	348,118	5,243	353,361

Following the Hutton Fair Pay Review, the Board is required to disclose the relationship between the remuneration of the highest-paid director in the organisation and the median remuneration of the organisation's workforce.

The median remuneration of the Board's staff is calculated by reference to remuneration of the staff members, including the Chairman and Government Appointed Board Members, but excluding the highest paid director. In calculating the total remuneration of employees, the remuneration is based on their full time equivalent salary where appropriate and annualised for employees in post at the reporting period end date but who have not been employed for the entire year.

In the 2011/12 Annual Report, the calculation of median salary only included the actual remuneration paid in the year to the Chairman and the Government Board Members, rather than the appropriate full time equivalent salary. The figures for 2012 have therefore been restated, which has resulted in the 2012 median salary increasing from £44,774 to £52,889 and the ratio to the highest-paid director decreasing from 5.25 to 4.45.

The remuneration of the Chief Executive and Accounting Officer for the Board in 2013 was £235,457 (2012: £235,243). This was 4.14 times (2012: 4.45) the median remuneration of the workforce, which was £56,825 (2012: £52,889). No employees in either 2013 or 2012 received remuneration in excess of the Chief Executive and Accounting Officer.

Total remuneration includes salary, benefits-in-kind and severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

	2013 **£**	**2012** **Restated** £
Highest Earner's total remuneration	**235,457**	235,243
Median total remuneration	**56,825**	52,889
Ratio	**4.14**	4.45

Alan Delmonte
Chief Executive and Accounting Officer
Horserace Betting Levy Board

26th June 2013

FINANCIAL SUMMARY

During the year to 31st March 2013, the Board was required to change its external auditor from Grant Thornton UK LLP to the Comptroller and Auditor General, with the National Audit Office (NAO) carrying out the work on his behalf. This change was a direct result of HM Treasury including the Board on an Order under the Government Resources and Accounts Act 2000, requiring the Board to be audited by the NAO, in line with many other public bodies. The Order was laid before Parliament in 2011, with an effective date of April 2012.

Income

The yield for the 51st Levy Scheme is £66.7m (50th Levy Scheme: £67.7m), with approximately 84% (50th Levy Scheme: 83%) of the total Levy yield derived from licensed betting offices.

During the year the Board received voluntary contributions totalling £7.6m (2011/12: £6.9m), of which £7.5m was received from Betfair plc.

Despite falling interest rates, the Board's investment income in the year totalled £0.4m (2011/12: £0.1m), reflecting the increase in cash balances held.

The total income for 2013 was £74.8m (2011/12: £74.9m).

Expenditure

For the year to 31st March 2013, the Board amended its accounting policy in respect of grants paid for the advancement of veterinary science and education, with the intention of reflecting more closely the performance based nature of the grant terms and conditions. This change in policy is a result of consideration following detailed discussions with our new auditor, the NAO. Previously the Board has recognised the full cost of these grants at the time the award was offered and accepted by the research institution. At the year end, the unpaid element of the award was included within Current Liabilities, classified as Accruals and Trade and Other Creditors.

This change in accounting policy in 2013, which means that the Board now only recognises the cost of research grants once the Board has been made aware that the work has been undertaken by the research institution, has resulted in a prior period adjustment.

Further details of the impact of this change in accounting policy are shown in Note 2k, and Note 20 discloses the Board's estimate of expenditure to which it is committed in respect of veterinary research grants but which has not been included in the expenditure total for the year to 31st March 2013 or preceding years.

Total expenditure on the improvement of horseracing increased by 12.5% to £60.4m (2011/12: £53.7m). The increase in expenditure reflects the Board's success in stabilising its financial position since 2011 and reversing what had become an unsustainable decline in its accumulated reserves.

Other expenditure during the year was £5.0m (2011/12 restated: £4.9m), which includes the Board's total administration costs of £3.0m (2011/12: £2.6m). If, however, the non-recurring items such as legal fees related to the betting exchanges judicial review and the final costs associated with closing the defined benefits retirement pension scheme are excluded, core administration expenditure was £2.1m. The Board is seeking to make further significant cost savings when relocating to new office accommodation in late 2013.

October 2012 saw the culmination of the winding up process, which had commenced in October 2009 of the defined benefits retirement scheme, with the result that the Board no longer has any costs or obligations since all of the liabilities of this final salary pension scheme have been fully secured with an insurer. Further details are shown in Note 17.

Statement of financial position

As a result of the change in accounting policy noted above and in accordance with the requirements of International Accounting Standard (IAS) 1.10, the Board has presented the Statement of Financial Position for 2011, 2012 and 2013 reflecting the new treatment for veterinary research grants.

For the year ended 31st March 2013 the Board generated a surplus of £8.6m, which compares to a restated surplus in 2012 of £16.3m and a restated deficit in 2011 of £21.4m.

The Board had previously agreed a target range for reserves of between £30.0m and £40.0m and, before adopting the new accounting policy for veterinary grants referred to above, the 2013 year end reserves were within this range, being £39.8m. The impact of the change in the treatment of these grants has, however, meant that at 31st March 2013 the Board's reserves were £42.3m, an increase on 2012 when reserves were £33.7m (restated) and a significant improvement on reserves in 2011 of £17.4m (restated).

No new loans to racecourses were drawn down during 2013 and therefore the total net present value of loans reduced from £18.8m at 31st March 2012 to £10.4m at the year end. These loans are repayable between now and 2017.

During the year the Board generated a positive cash flow of £8.7m (2011/12 restated: £1.4m) and, including all amounts held in interest bearing bank deposit accounts, the year-end cash balance totalled £32.1m (2011/12 restated: £23.9m).

Compliance with public sector payment policy

The Board's policy is to pay all invoices within 30 days of receipt unless a longer payment period has been agreed or the amount billed is in dispute. In the year to 31st March 2013 99% of invoices totalling £2,080,206 were paid within 30 days of receipt.

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COMMENTARY ON PURPOSES AND EXPENDITURE

The accounts presented in the annual report show information for the fiscal year 2012/13 and Note 4a and Note 4b summarise the expenditure on this basis, under the principal expenditure classifications.

The Board, however, agrees the vast majority of its expenditure allocation on a calendar year basis and therefore all references to years in this section should be taken to refer to a calendar year, unless otherwise stated.

HORSEMEN

The Board's allocation to Horsemen for 2013 was £50.2m (2012: £38.9m) and encompasses prize money, appearance money and breeders' prizes.

HORSEMEN 2013 Allocation	£'000
Flat Racing Allocation	
Basic Daily Rate – Racecourse Fixtures	10,370
Quality Support Fund	4,500
Additional Quality Support – Saturday Handicap Fund	75
Racing & Betting Special Incentive Fund	330
Blanket Period	1,443
BHA Fixtures (Twilights)	1,274
Sunday Appearance Money	275
British Champions Day	300
Transitional Fund	80
Sub Total for Flat *(rounded)*	**18,700**
Jump Racing Allocation	
Basic Daily Rate – Racecourse Fixtures	7,480
Winter Racing Payments	593
Quality Support Fund	2,000
Additional Quality Support – Saturday Handicap Fund	55
Racing & Betting Special Incentive Fund	220
Sunday Appearance Money	460
Transitional Fund	220
Sub Total for Jump *(rounded)*	**11,000**
Total for Flat and Jump *(rounded)*	**29,700**
Allocation Based on Betting Turnover	17,850
Divided Race Fund	1,100
Breeders' Prizes	**400**
British Owners' & Breeders Incentive	**1,100**
Grand total	**50,200**

The Board's Fixture Criteria for 2013

Full Basic Daily Rate (BDR) prize money funding and a grant to the racecourse to contribute to its Raceday Services costs are being provided in 2013 for fixtures which take place in slots within the Board's Fixture Criteria. BDR funding is provided at 65% for each of the two evening fixtures per day in the summer and 50% for non-Criteria Bank Holiday fixtures and for Saturday fixtures which do not reach the prize money threshold required for 100% BDR funding. Details of the Fixture Criteria slots are in the table on the next page.

Board Fixture Criteria 2013	Number of fixtures per session which receive a Raceday Services grant	Number of fixtures per session which also receive a Prize Money grant
Racecourse Fixtures		
Afternoons		
Monday to Friday (except Monday and Tuesday in June, July and August)	3	3
Monday and Tuesday in June, July and August (except Tuesdays of Royal Ascot and Glorious Goodwood)	2	2
Tuesdays of Royal Ascot and Glorious Goodwood	3	3
Saturdays	4	Up to 4*
Bank Holidays	All	3 at 100% remainder at 50%
Sundays	3	2
All weather fixtures between 26th -31st December	1	1
Evenings		
Monday to Saturday	2	2 (at 65% of afternoon funding level)
Twilight Fixtures		
	1	1 (£13,000 flat-rate)
Leasehold Fixtures		
Where situated in afternoon or evening Criteria slots	All	0

*100% grant for summer fixtures offering a minimum of £135,000 prize money and winter fixtures offering a minimum of £115,000 prize money (with the £115,000 threshold to apply to courses staging Jump fixtures in the summer Jumping season); others receive 50%.

The only change from the 2012 Criteria was to provide full prize money funding for the third Tuesday fixture during Royal Ascot and Glorious Goodwood. For 2013, as was the case in 2012, determining which fixtures on a particular day were awarded Criteria status was based on which racecourses had the highest executive and sponsorship contribution as a proportion of total prize money from October 2011 to September 2012, with fixtures running Pattern races given Criteria status in any event. For 2014 onwards, Criteria status will instead be awarded to those fixtures offering the highest prize money on the day.

Race by Race Betting Information

Developing the structure of the 2013 Fixture Criteria was again given considerable assistance by the provision of confidential data from five bookmakers – Betfair, Betfred, Gala Coral, Ladbrokes and William Hill. This race-by-race information covering 2012 was provided to the General Secretary to the Bookmakers' Committee who was then able to circulate data, in the form of an indexed number per race, to a restricted number of individuals at the Board. This enabled analysis to be undertaken of the performance of each fixture slot, which in turn helped to inform proposals for the optimum fixture framework.

2011 and 2012 Contributions to Prize Money

	2012				2011			
	Flat	Jump	Total	%	Flat	Jump	Total	%
HBLB (main prize money pool)	22,083,525	12,174,085	34,257,610	35.0%	19,703,499	12,697,868	32,401,367	34.5%
HBLB Divided Race Fund	1,273,300	153,750	1,427,050	1.5%	774,393	125,800	900,193	1.0%
HBLB Total	**23,356,825**	**12,327,835**	**35,684,660**	**36.5%**	**20,477,892**	**12,823,668**	**33,301,560**	**35.5%**
Sponsors	9,592,287	8,220,718	17,813,005	18.2%	10,519,600	8,188,040	18,707,640	19.9%
Owners	12,686,553	3,305,594	15,992,147	16.4%	12,023,491	3,336,429	15,359,920	16.4%
Racecourses	20,385,977	7,892,548	28,278,525	28.9%	19,392,214	7,131,589	26,523,803	28.2%
BHA		10,000	10,000	0.01%				
Total	**66,021,642**	**31,756,695**	**97,778,337**	**100.0%**	**62,413,197**	**31,479,726**	**93,892,923**	**100.0%**

In 2012, the Board contributed 36.5% of the total prize money pool, up from 35.5% in 2012. In addition, the Board funded an Appearance Money Scheme, providing a £100 per runner incentive to run horses on Sundays. For 2013 the total value of the Scheme has been maintained at the same level as 2012 (£735,000).

	2012				2011			
	Flat	Jump	Total	*%	Flat	Jump	Total	*%
HBLB Appearance Money Scheme	247,200	462,500	709,700	0.7%	269,100	462,700	731,800	0.8%

*Appearance Money Scheme as a percentage of total prize money.

Each racecourse's BDR, details of which are shown on the Board's website www.hblb.org.uk, comprises two evenly split elements:

- An amount calculated by reference to the latest average daily amount of its executive and sponsorship contribution to prize money (Merit award). Fixtures that counted for this purpose were Racecourse and Leasehold fixtures and Musselburgh's self-funded Derby Day fixture.
- The share of the amount (£17.85m in 2013) allocated by reference to its share of total off-course betting turnover generated by its fixtures. Fixtures which counted for this purpose were Racecourse fixtures and Musselburgh's self-funded Derby Day fixture.

Further changes to the distribution methodology were made for 2013 to the way in which the Merit award element was treated. These were:

- The Merit award, derived from a racecourse's own prize money contributions, was based on one year's performance, rather than the average of two years which was used for 2012 BDRs.
- Each racecourse's Merit award was calculated in accordance with new formulae proposed by the Racecourse Association (RCA).

These amendments to the distribution system provide an even more direct and faster link between a racecourse's performance and the contribution from the Board, further increasing responsiveness in the incentive/reward system.

Transitional Fund

The Board continued to pay supplementary sums from its Transitional Fund; payments for selected Flat and Jump courses were proposed by the RCA and subsequently agreed by the Board. The method adopted was to make an additional prize money award to those courses not within a group which, as a result of the new BDR Merit award formulae, had seen each additional £1 in executive and sponsorship contribution in 2011 receive a smaller than average return in Merit award from the Board in 2013. The Transitional Fund went some way to equalising this. The Board has agreed that the Transitional Fund will be applied in this way for 2013 only.

Winter Jump Payment Scheme

The Board also continued to pay a prize money supplement to racecourses under the Winter Jump Payment Scheme. The Winter Jump Payments are awarded to racecourses staging Jump fixtures on Sundays to Fridays in January and February, as there is relatively limited scope to generate additional revenue streams from racegoer-related sources at that time of year. The prize money supplements increased in 2013 to £7,800 per fixture (2012: £6,000).

Sunday Racing and Interactive Race Planning

As part of the Board's £11m increase in prize money allocation in 2013, a new initiative to boost Sunday fixtures was launched following a proposal from the Board's Betting Patterns Working Party (BPWP).

The Levy Board is offering a £5,000 supplementary prize money payment to fixtures on Sundays in 2013 which offer a total prize money fund of at least £40,000. The aim is to provide an incentive for racecourses to invest in their Sunday race programmes, so as to raise the quality of Sunday racing and provide a potential uplift in betting turnover levels on that day, which remains the lowest performing of the week.

The total cost of the initiative for the full year is estimated at £330,000, which will be provided from the Board's Racing and Betting Incentive Fund. This fund was created in 2012 to support schemes to benefit both racing and betting. In 2013 this fund will also support the continuation of the Interactive Race Planning initiative for a further year, providing prize money of some £200,000. If there is any uncommitted sum in the Incentive Fund by summer 2013, it will be added to general prize money for the rest of the year.

Divided Race Fund

The Board's allocation to the 2013 Divided Race Fund, which provides prize money for additional races, is unchanged from the 2012 levels of £1.1m. The fund ensures that each division of a race is run at the originally advertised prize money value rather than, as has been the case historically, for a lesser amount unless the racecourse makes up the difference. Creating parity of value in the divisions benefits the connections of horses running and reduces any disincentive for a racecourse to stage two divisions of a race.

In May 2012 the British Horseracing Authority made changes to the Rules of Racing so that the trigger point for divided races fell from 20 declarations to 18. The change, which aims to make better use of the horse population and enhance betting opportunities, was endorsed by the BPWP.

Additional Fixtures and Transfer of Races

Once again, unfavourable winter weather led to an unusually high number of abandonments in 2012 and the start of 2013. To protect Levy income and to ensure important racing opportunities at critical times of the year, the Board provided some £400,000 in additional prize money between January to March 2013 to allow the staging of additional Jump and All Weather Track (AWT) Flat fixtures, to enable the rescheduling of the Coral Welsh National fixture and the transfers of the Grade 2 Peterborough Chase to Kempton and the Grade 1 Victor Chandler Chase to Cheltenham. The Board estimates that, overall, the fixture rearrangements have been of net benefit to the Levy and the swift action taken by all parties concerned was welcomed by Racing and Betting.

Under the auspices of the Betting Patterns Working Party (BPWP), the Racing and Betting Special Incentive Fund was utilised in 2012 to fund additional fixtures trialled in new betting sessions and to cater for horse population requirements. These were; four additional Tuesday Twilight fixtures, six additional Friday Matinees and nine additional Monday and Tuesday afternoon fixtures. The BPWP will continue to evaluate opportunities to generate additional Levy income and trial fixtures in new slots in 2013.

Twilight Fixtures

Twilight fixtures continue to be regarded as positive Levy generating slots and a total of 98 twilight fixtures were programmed for 2013 with BDR funding of £13,000 per fixture (2012: £10,000).

Breeds

The Board continues to provide support to the improvement of the British Thoroughbred horse through the Breeders' Prizes Scheme and for 2013, the new British Owners and Breeders' Incentive Scheme. The Board's investment in this area has increased by over 100% in 2013 to a total of £1.5m (2012: £700,000 total for Flat and National Hunt Breeders' Prizes).

British Owners and Breeders' Incentive Scheme (BOBIS)
The new scheme, BOBIS, officially launched by the BHA for 2013, replaces the Flat Breeders' Prizes Scheme. The Board is contributing up to £1.1m (2012: £400,000 for Flat Breeders' Prizes). Funding for BOBIS is drawn from registration fees paid by owners and breeders which are then matched by the Board. Approximately 450 races in the Scheme carry bonuses of £6,000, paid throughout a horse's two and three year old seasons for every win whether in a maiden, a nursery, a novice race or conditions race, with no upper limit on the number of bonuses awarded.

National Hunt Breeders' Prizes Scheme
For 2013 the Breeders' Prizes Scheme will solely provide prizes for National Hunt racing. It continues to be funded by the Board and administered by the Thoroughbred Breeders' Association (TBA).

Prizes for National Hunt racing are payable to qualifying winners of all Grade 1, 2, 3, Listed, Class 2 and Class 3 Novice, Maiden and Beginners' Weight For Age Steeple Chase and Hurdle races and Grade 1, 2 and Listed National Hunt Flat races. Details of eligibility criteria and prizes can be found on the TBA's website www.thetba.co.uk.

RACECOURSES

Fixture Incentive Scheme

The Fixture Incentive Scheme is designed to encourage racecourses, by way of grants, to race in certain Levy-generative slots which would otherwise be less attractive. The provision for the Scheme was increased in 2013 to £3.0m (2012: £2.8m). The Scheme includes an allocation of £315,100 (2012 £300,000) specifically for Leasehold fixtures (excluding those in Twilight slots) as these fixtures, although not in receipt of prize money funding, contribute to meeting the Board's Fixture Criteria. All Fixture Incentive payments benefited from an uplift in 2013 ranging between 3% and 8% on 2012 levels; the majority of the increase was applied to Jump fixtures in the core winter months.

Racecourse Improvement

Capital Credit Grants Scheme

The Capital Credit Grants Scheme enables racecourses to accrue all or part of their grant payments from the Board which can then be drawn down by racecourses for future use to support capital projects, including meeting their loans from the Board. During 2012/13, the Board approved, by way of Capital Credit Grants, £685,907 (2011/12: £876,604) for use in racecourse improvement schemes.

Loans to racecourses and others

In July 2012, the Board approved the reintroduction of loans to racecourses and others. In total, loan applications totalling £8.0m, which will be granted on four-year terms, were provisionally approved by the Board in December 2012. The new loans will carry an applicable rate of interest and an administration fee and the following priorities for lending were applied in assessing submissions from racecourses.

(1) Capital improvements needed as a result of British Horseracing Authority (BHA)/legal requirements.
(2) Non-revenue-generating loans for horse specific projects eg turf, drainage, stabling.
(3) Revenue-generating loans.
(4) Loans to parties other than racecourses for the improvement of horseracing or other Board responsibility.
(5) Racecourse loans for non-horse specific projects.

Raceday Services

Maintaining high standards of integrity in British racing remained one of the Board's priorities within that part of its expenditure devoted to the improvement of horseracing. For 2013, the Board continues to make a grant towards racecourses' raceday services costs per fixture, with the total allocation of £16.4m the same level as in 2011 and 2012. The Board pays a supplementary sum of £2,000 in respect of each midweek Jump Racecourse fixture in January and February, reflecting that such fixtures are among the least attractive for racecourses to stage. The Raceday Services grant received by racecourses contributes towards the cost of licensed officials, security and veterinary raceday officials, raceday services head office costs and drug testing and drug research services.

TRAINING

The Board continues its commitment to training and education programmes in the racing and breeding industry by way of grants totalling £1m in 2013 (2012: £900,000). This allocation supports schemes administered by the British Horseracing Education and Standards Trust (BHEST), the National Stud and the Thoroughbred Breeders' Association (TBA).

For 2013, the Board instigated a review of the largest elements of the Training submission with a view to achieving a more consultative process and a bottom-up approach so that, by the time submissions reached the Board, they would have been considered by a number of interested parties, contain full cost estimates and have a visible link with wider industry training objectives. This approach has been extended to other areas of the Training budget and will be developed further for 2014.

BHEST

The grant to BHEST in 2013 is £663,000 (2012: £600,000). It supports activities and training overseen and/or carried out by BHEST, which include a variety of areas such as stable staff training and recruitment, jockey continuation training, programmes focusing on nutritional education, life skills and functional skills, the pony racing series and the Racing to School education programme.

The National Stud

The National Stud provides specialist training for careers in the thoroughbred breeding industry through the internationally renowned Diploma Course, the Apprenticeship Programme and the Stud Secretaries' course. The Stud also provides short term work experience for school pupils, college students, veterinary undergraduates and breeders. The Board supported the courses provided by the National Stud in 2013 with a grant of £175,000 (2012: £200,000).

TBA Education and Employment Scheme

The Board also supported the TBA Education and Employment Scheme in 2013 with a grant for £162,000 (2012: £60,000). The Scheme focuses on providing employer support, promotion of recruitment and careers in the racing and breeding industries and continuation of industry qualifications and professional development. A variety of courses and seminars aimed at stud employers and employees take place on a regular basis, including the TBA Stud Farming Course, the National Stud Evening Lecture Programme and Stud Secretaries course, all of which are respected by employers and utilised informally for professional development purposes.

The BHA Graduate Programme

The Board has been a sponsor of the popular and industry renowned BHA Graduate Programme since its inception over 20 years ago. The programme, intended for graduates or final year degree students, provides an invaluable insight into the many organisations and functions in racing, breeding and betting. The Board again took on a student on placement as part of the programme.

Retraining of Racehorses (RoR)

Allocated within the provision for training and education is a £50,000 donation to the RoR charity, the BHA's official charity dedicated to the retraining and rehoming of ex-racehorses and to promote the use of ex-racehorses in other disciplines.

Racing MBA

Also within the provision for training and education is an amount (£50,000) earmarked towards the preparatory work in creating an MBA programme with a mix of traditional MBA subjects and specialisations relating to racing. Discussion will continue during 2013 and the aim is to have a course operational by autumn 2014.

OTHER ACTIVITIES

Point-to-Point meetings

Point-to-pointing makes a significant contribution to National Hunt racing, and in recognition of this the HBLB has supported point-to-points through the payment of grants since 1974.

The total allocation of grants for the 2013 point-to-point season has been increased to £250,000 from £200,000 in 2012. Instead of allocating a flat rate payment per fixture, the method of distribution will be similar to the Board's Fixture Incentive Scheme for horseracing under the Rules of Racing. This followed a review by the Board's Executive and the Point to Point Authority.

The Levy Board and the environment
The Board is committed to minimising its environmental impact within reasonable financial and other resource limits. Employees are encouraged to recycle paper, cardboard, plastic and glass by using the recycling bins provided in the office.

Freedom of Information
The Board has continued to meet the requirements of the Freedom of Information Act 2000. The Board's website www.hblb.org.uk contains full details of information published by the Board and how to make a request under the Act.

ADVANCING VETERINARY SCIENCE AND EDUCATION

In 2012/13, £1.6m (2011/12: £1.2m) was allocated to activities recommended by the Board's Veterinary Advisory Committee (VAC) to improve the health and welfare of the racing and breeding Thoroughbred.

A new round of research grant funding resulted in nine new research projects being supported, in disciplines that reflect the HBLB's research priorities. These include the prevention of infectious disease, which remains a key priority and one in which the Board has invested strategically over many years. Research funding in 2012 was used to continue efforts to protect the Thoroughbred horse against diseases such as strangles, 'rattles', African Horse Sickness, West Nile and equine herpes viruses.

The Board also funded a unique collaboration between scientists and the British Racing School, which will examine scientifically the influence of jockey technique on the galloping racehorse. Two studies on the repair of injured tendons were funded; one looking at the new field of tissue engineering and another developing the stem cell approach that has already shown positive results as a treatment. Stem cells are the subject of a further project that, in collaboration with one of the best human regenerative medicine laboratories, will be characterising cell lines for use in the horse.

A new online resource was launched at http://racehorsehealth.hblb.org.uk providing summaries of recent and current HBLB-funded research on diseases and injuries of the Thoroughbred.

Three new research scholarships leading to PhD qualification were awarded, in the fields of epigenetics, a developing area of bidogy requiring cutting edge skills that can be applied to a range of disciplines; parasitology, considering the effectiveness of parasite controls to reduce the risks identified by previous Board-funded work; and study of horse pathogen interactions, from the live horse through to the laboratory environment.

Funding was maintained for the rolling programmes focusing on infectious disease and equine influenza, as part of the Board's strategic approach of surveillance and proactive response to control and minimise the risks of infectious disease. The latest protocols for equine disease prevention and control were included in the 2012 Codes of Practice and access to these via the online version at http://codes.hblb.org.uk continued to increase.

Veterinary Advisory Committee 2012

Professor Willie Donachie BSc PhD CBiol FIBiol (*Chairman)*

Professor Celia Marr BVMS MVM PhD DEIM DipECEIM MRCVS

Professor Peter O'Shaughnessy BSc PhD

Mr Rob Pilsworth BsC MA VetMB CertVR MRCVS

Professor Stuart Ralston BVM&S MRCVS

Professor Tim Skerry BVetMed PhD CertSAO FRCVS (*Deputy Chairman*)

Dr Geraldine Taylor BSc PhD

GRANTS TO BREED SOCIETIES

Funding for grants to rare horse and pony breed societies in 2012 was maintained at £100,000. Equine breeds that are listed by the Rare Breed Survival Trust (RBST) in categories 1 to 4 based on breeding numbers and risk factors are eligible for Board grant funding.

Each funded breed society submits an annual proposal for funding initiatives directly relevant to the improvement of the breed. Societies contribute at least 20% of the value of the grant from their own resources. Board funding enables them to promote pure breeding and market the breed to stimulate demand and long term sustainability.

Each society utilises the grant in the most appropriate way for its unique breed improvement programme, such as awarding stallion, mare and foal premiums and subsidies for registration fees, mare travel to premium stallions, animal inspection costs and breed show support. Eleven societies received funding totalling £100,000 (2011: £100,000).

Society and RBST Status	Grant for 2012
RBST 1 Critical	
Cleveland Bay Horse Society	£11,600
Suffolk Horse Society	£16,400
RBST 2 Endangered	
Dales Pony Society	£6,050
Exmoor Pony Society	£4,650
Hackney Horse Society	£12,330
RBST 3 Vulnerable	
Clydesdale Horse Society	£8,730
Dartmoor Pony Society	£4,760
Welsh Pony Society (feral Group A only)	£4,180
RBST 4 At risk	
Fell Pony Society	£3,820
Highland Pony Society	£2,480
Shire Horse Society	£25,000
Total	**£100,000**

THE 52nd LEVY SCHEME

The 52nd Levy Scheme (1st April 2013 to 31st March 2014) was agreed on 24th October 2012, with Board members approving unanimously the recommendations from the Bookmakers' Committee.

The 52nd Levy Scheme will in most respects continue the terms of the 51st Levy Scheme with a bookmaker's 2013/14 Levy liability being calculated by reference to the gross profit on British Horserace Betting Business (BHBB).

For off-course betting through Licensed Betting Offices (LBOs) each LBO will pay 10.75% of its gross profits on BHBB. Operators with more than 100 LBOs will pay at the full 10.75% rate on each outlet. For an operator with 100 or fewer LBOs, an abated rate will apply to those of its LBOs (up to a maximum of 30) which have gross profits on BHBB of less than £54,180. This abated rate, or ‘threshold’, will be calculated in a similar manner to previous years. A Flat Rate Rebate of £735 for the first 30 LBOs in any chain and £185 for all other LBOs will be applied. This will be a sum deducted from the bookmaker’s 52nd Levy Scheme liability during the year end reconciliation (51st Levy Scheme: 10.75%; threshold £52,500, applicable as above; Flat Rate Rebate £400 for the first 30 LBOs in any chain and £185 for all other LBOs). Internet and telephone platforms pay Levy at a flat percentage charge of 10.75% of their gross profit (51st Levy Scheme: 10.75%). The Levy for on-course betting is charged at a flat fee of £227 (51st Levy Scheme: £220). The Levy payable by bet-brokers including betting exchanges is charged on a basis equivalent to 10.75% (51st Levy Scheme: 10.75%) of their gross profits, defined as gross commission on BHBB deducted from the winnings paid out to bettors and bet-takers. Spread betting business is levied at 2.15% (51st Levy Scheme: 2.15%) of gross profits. Bookmakers who conducted BHBB only on Point-to-Point and/or harness racing and/or trotting events paid a fixed contribution of £181 (51st Levy Scheme: £175).

As part of the agreement, Gala Coral, Ladbrokes and William Hill have again each severally guaranteed a sum to the Levy Board that, taken together, will amount to £45m, if those respective sums are not generated by those three companies by operation of the Levy Scheme. Betfair has undertaken to make a contribution to British Racing, through the Board, which at the time was assumed at £7m.

Contributions by the Successor Company to the Horserace Totalisator Board (Betfred)

Following the sale of the Tote, the Betting, Gaming and Lotteries Act 1963, the Horserace Betting Levy Act 1969 and the Horserace Betting and Olympic Lottery Act 2004 were amended. The effect of these changes is that the Board separately negotiates the contributions due from Betfred in respect of its pool betting operations, and Betfred is not subject to the Levy Scheme in respect of these operations. In October 2012 the Levy Board agreed that, in respect of its pool betting operations, Betfred will contribute for the 52nd Levy Scheme at 10.75% of gross profit on BHBB as if it were a bookmaker, which is the same rate that was agreed with Betfred for the 51st Levy period.

THE BOOKMAKERS’ COMMITTEE

The primary function of the Bookmakers’ Committee is to recommend annually to the Board the categories, rates, conditions and definitions of the Levy Scheme for the following year and, if appropriate, to consider revising such recommendations in light of the observations of the Board. The Bookmakers’ Committee therefore was under remit to agree with the Board, by the statutory deadline of 31st October 2012, the terms of the 52nd Levy Scheme.

The Bookmakers’ Committee’s Recommendations, put forward to the Levy Board in October 2012, were on the understanding that the Board and the Bookmakers’ Committee would use reasonable endeavours to achieve, in 2013, a minimum of 1,450 criteria fixtures, an improvement in the average number of runners per race across all codes and afford bookmaking representatives greater influence in respect of the fixture programme. In particular, race planning would continue to be targeted to deliver a minimum of 7 races per racecard and a minimum of 6 runners per race.

On 24th October 2012 the Board approved the Bookmakers' Committee's Recommendations for the 52nd Levy Scheme.

Bookmakers' Committee's Costs

The costs of the Bookmakers' Committee, which in 2012/13 amounted to £228,000 (2011/12: £244,000), were met by the Board.

MEMBERS OF THE BOOKMAKERS' COMMITTEE at 31st March 2013	
Will Roseff[1] (Chairman)	ABB
Thomas Murphy[2] (Vice Chairman)	William Hill plc
Warwick Bartlett	ABB
Mark Chambers (from February 2013)	Gala Coral Group
Howard Chisholm	ABB
Michael Corbett (until June 2012)	ABB
Martin Cruddace	The Sporting Exchange
Neil Goulden	Gala Coral Group
Keith Johnson	NAB
Greg Knight (from July 2012)	ABB
Richard Lang (until January 2013)	Gala Coral Group
Mike O'Kane	Ladbrokes plc
Nick Rust	Ladbrokes plc
Ralph Topping	William Hill plc
Andrew Watson	NAB
General Secretary: Stu McInroy	

Notes:
[1] Re-appointed as Chairman on 7th March 2013
[2] Re-appointed as Vice-Chairman on 24th March 2013
ABB: Appointed by the Association of British Bookmakers
NAB: Appointed by the National Association of Bookmakers

BOARD MEMBERS AND OFFICERS

Board Member

Paul Lee*
Chairman

Paul Darling QC*

Paul Bolt*

Paul Roy**
Chairman, British Horseracing Authority

Ian Barlow**
Chairman, Racecourse Association

Philip Freedman**
Chairman, Horsemen's Group

Will Roseff
Chairman, Bookmakers' Committee

*Appointed by the Secretary of State for Culture, Media and Sport

**In accordance with legislation, formally appointed by the Jockey Club

Observer

Thomas Murphy
Bookmakers' Committee

Board Executives

Alan Delmonte
Chief Executive & Accounting Officer

Rob Skeggs
Finance Director

Statement of Responsibilities of Members and the Accounting Officer of the Horserace Betting Levy Board

Under the Betting, Gaming and Lotteries Act 1963 (as amended), the Secretary of State for Culture, Media and Sport has directed the Horserace Betting Levy Board to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Horserace Betting Levy Board and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the Secretary of State for Culture, Media and Sport, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

The Accounting Officer of the Department for Culture, Media and Sport has designated the Chief Executive as Accounting Officer of the Horserace Betting Levy Board. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Horserace Betting Levy Board's assets, are set out in Managing Public Money published by HM Treasury.

Functions of the Board

The Horserace Betting Levy Board is a corporate body, operating in accordance with the provisions of the Betting, Gaming and Lotteries Act 1963 (as amended).

The Board is charged with the duty of assessing and collecting monetary contributions from bookmakers and, while the exclusive licence under section 8 of the Horserace Betting and Olympic Lottery Act 2004 has effect, the successor company to the Horserace Totalisator Board, and to apply them for purposes conducive to any one or more of:

- The improvement of breeds of horses.
- The advancement or encouragement of veterinary science or veterinary education.
- The improvement of horseracing.

Alan Delmonte
Chief Executive and Accounting Officer
Horserace Betting Levy Board

26th June 2013

GOVERNANCE STATEMENT FOR THE YEAR ENDED 31st MARCH 2013

As Accounting Officer for the Horserace Betting Levy Board, I am responsible for ensuring that an appropriate corporate governance framework is in place that supports the achievement of the Board's policies, aims and objectives, which are in accordance with the Betting, Gaming and Lotteries Act 1963 (as amended). This governance statement explains the key features of the Board's governance structure, and how it has complied with the relevant principles and provisions of HM Treasury's recommended Corporate Governance Code, including 'Managing Public Money', in 2012/13.

Governance Framework

The Members of the Levy Board, led by the Chairman, Paul Lee, oversee the activities of the Board. The day to day activity of the Board is managed by the Board's executives, who were led by the Chief Executive, Douglas Erskine-Crum, in the year ended 31st March 2013.

Board Members are responsible for the strategic direction of the Board and for the performance of the executives. They are also responsible for agreeing the annual Levy Scheme, approving the annual expenditure budget and granting loans to racecourses. The Chief Executive, as Accounting Officer, is responsible for maintaining a sound system of internal control that supports the achievement of the Board's policies, aims and objectives. The Accounting Officer also ensures that the Board complies with the principles of the Corporate Governance Code ('the Code'), where they are relevant to the Board, and there were no departures from the Code in 2012/13.

The work of the Board is supported by sub-committees, which are chaired by and comprise Members of the Board. These sub-committees are the Audit Committee, the Remuneration Committee and the Investments Committee.

The Board

As at 31st March 2013, the Board comprised the Chairman and the other two Government Appointed Members appointed by the Secretary of State for Culture, Media and Sport, three Board Members appointed by the Jockey Club and one Board Member appointed by the Bookmakers' Committee. Appointments by the Secretary of State are on fixed term contracts for a period of four years in the case of the Chairman and three years for the other two Government Appointed Members and may be renewed for a further term. The terms of appointment of other Board Members are as proposed by their appointing bodies.

Papers for board meetings are circulated in advance of the relevant meeting and, when a Board member is unable to attend, he continues to be provided with a full copy of the papers and has the opportunity to comment on the matters discussed. The Board Members who are appointed by the Jockey Club and the Bookmakers' Committee are permitted to appoint an alternate in the event that they are unable to attend a Board meeting, whilst a Government Appointed member may give another Government Appointed Member his proxy to vote on his behalf.

The Board's performance, including its effectiveness, was assessed in the year and it was concluded in December 2012 that, bearing in mind the representative nature of the Board, the Board has performed effectively.

The Chairman meets the other two Government Appointed Members regularly allowing him to make clear what is specifically expected of them and to assess their performance.

In 2012/13 the Board met eight times as follows:

Board member	Appointed by	Meetings attended	Represented by alternate
Paul Lee – Chairman	Secretary of State for Culture, Media and Sport	8/8	n/a
Paul Bolt	Secretary of State for Culture, Media and Sport	8/8	n/a
Paul Darling QC	Secretary of State for Culture, Media and Sport	8/8	n/a
Ian Barlow	Jockey Club	6/8	2/8
Paul Dixon (until 31st December 2012)	Jockey Club	3/6	3/6
Philip Freedman (from 1st January 2013)	Jockey Club	2/2	n/a
Paul Roy	Jockey Club	6/8	2/8
Will Roseff	Bookmakers' Committee	8/8	–

The Members of the Board have made a declaration of their personal interests relevant to their responsibilities as Members of the Board. The register of Members' interests, which may be viewed at the Board's offices on request, is also available on the Board's website, www.hblb.org.uk.

The Audit Committee

The Audit Committee is established by the Board primarily to oversee the accounting, financial reporting, internal controls and risk management processes of the Board. During the year the Audit Committee engaged in the following activities:

- Noted the scope of the audit work proposed by the external auditors (NAO), reviewed the year-end financial results and considered the Completion Report presented by the external auditors and the management's response;
- Appointed new internal auditors (Mazars), approved their scope of work and reviewed their findings;
- Monitored the effectiveness of the Board's internal control systems including the strategic risk register and the risk of fraud within the Board;
- Reviewed Members' register of interests and advised on any conflicts;
- Reviewed the Board's banking and investment arrangements and monitored the rolling cash flow forecasts and counter-party risk policy;
- Undertook an annual review of the Board's Financial Regulations, which are in place to ensure that the financial control system is not compromised.

The Chairman of the Audit Committee reports to the Board after each Audit Committee meeting. The Audit Committee met four times in 2012/13, and the detail of attendance is set out in the table below.

Audit Committee member	Meetings attended
Paul Bolt—Chairman	3/4
Ian Barlow	4/4
Will Roseff	4/4

The Remuneration Committee

The Remuneration Committee met twice in 2012/13. The duties of the Remuneration Committee are:

- To determine the Executive and staff remuneration on a annual basis;
- To oversee the training requirements of the organisation and ensure that adequate and appropriate training is offered to staff at all levels;
- To make recommendations to the Board on organisational policies that affect the directors of the organisation;
- To monitor the Bribery Act 2010 and the Board's anti-bribery systems as they affect Members, Executive and staff of the Board;
- To review the Internal and External Gifts and Hospitality registers, at least twice a year.

For the year ended 31st March 2013, the Members of the Remuneration Committee were as follows:

Remuneration Committee Member	Meetings attended
Paul Darling (Chairman)	2/2
Paul Lee	2/2
Will Roseff	2/2

The Investments Committee

The Investments Committee met three times in 2012/13. The duties of the Investments Committee are:

- Receive and assess new applications for racecourse loans taking due account of the Board's Racecourse Loan Lending Principles and Priorities;
- Monitor actual and forecast racecourse lending exposures against policy limits and risk appetite when deemed necessary to do so;
- Monitor racecourse and other loans that are in arrears and assess the underlying credit risk arising from potential borrower financial stress and impact of external factors (such as industry funding and prize money levels).
- Consider any requests from existing borrowers to defer loan repayments and/or alter the repayment terms of loans already in place;
- Consider non-racecourse loan investment opportunities for non-working capital cash balances in line with the HBLB investment guidelines.

For the year ended 31st March 2013, the Members of the Investments Committee were as follows:

Investments Committee Member	Meetings attended	Represented by alternate
Paul Darling (Chairman)	3/3	n/a
Ian Barlow	1/3	2/3
Will Roseff	3/3	n/a

Internal Control and Risk Management

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Board's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process to identify the principal risks to the achievement of the Board's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31st March 2013 and up to the date of approval of the annual reports and accounts, and accords with Treasury guidance. No significant failings or weaknesses were identified as a result of the review of the effectiveness of the Board's internal control.

Quality of data

Management reporting systems are in place to provide Board members with detailed information to assist in the decision making process. Although the quality of data concerning expenditure is considered sufficient for the needs of the Board, it is acknowledged that, under the arrangements of the Levy Scheme, whereby the final Levy yield is not known until some months after the Levy period has ended, there is a degree of estimation in respect of income. This is an unsatisfactory situation; however, the Board is compelled to work within the constraints of the annual Levy Scheme process. In mitigation, the Board is greatly assisted, with respect to income estimates, by the Bookmakers' Committee who provide quarterly updates on the likely Levy yield, which are based on actual trading information from licensed betting offices supplied by a large sample of the bookmakers.

Risk Management Framework

The evaluation of strategic or high-level business risks is an essential part of the construction of the Board's risk management framework and these risks are monitored through the Board's Strategic Risk Register. It is the first and vital stage in providing information, which is used in assessing the financial impact of risks and therefore forms the basis of determining the total value retained as reserves. The Strategic Risk Register is regularly updated, following detailed review at every meeting of the Audit Committee, to ensure effective monitoring of risks. The Strategic Risk Register is considered and approved by the Board at least three times a year.

In June 2012, the Audit Committee and the Board conducted a thorough review of the Strategic Risk Register in terms of relevance, risk profile and financial impact. The result of this exercise was that the Strategic Risk Register was updated, and the number of risk categories reduced from ten to seven.

Executive managers within the individual departments have responsibility for the development and maintenance of the internal control framework. However, to ensure that the Board's approach to risk management is embedded within the organisation, during 2012/13 the employees took part in a bottom-up review of the Board's risks and controls, repeating an exercise that had previously been undertaken in 2010/11. Meetings were held with departmental groups (Operations, Finance, IT, and Administration) and staff were asked to think about what had changed since 2010 and whether any developments represented an increase or decrease in the risk profile of HBLB. The employees were invited to comment on the Strategic Risk Register and state whether they thought it correctly summarised the current risks.

At the year-end the number of risks included on the Strategic Risk Register totalled eight. These are continually monitored and each principal risk has an impact analysis and a risk evaluation. Early warning indicators of the risk materialising have been identified and all of the risks are assigned Risk Owners, ie someone with sufficient authority to ensure the risk is addressed.

The Board is assisted by the work of the annual internal audit assurance visit, undertaken by external advisors (Mazars), which reports on the internal control and the assurance framework in the line with the agreed three-year audit plan. During the year, Mazars carried out specific reviews on:

- Core financial systems, including the General Ledger;
- The IT system dedicated to Levy collection;
- Corporate Governance and risk management arrangement;
- Follow up on recommendations arising from the 2011/12 internal audit review.

No significant control issues were identified by their work for the year 31st March 2013.

Principal risks facing the Board

Risk	Mitigation
Infectious diseases (Animal) Equine diseases are an ever-present danger to the horse population and pose the risk of stopping horseracing or preventing the transportation of animals. In both of these circumstances there could be a significant reduction in the Levy yield.	The Board provides funding to invest in strategies to manage effectively the risks of infectious disease. The infectious disease service (IDS) and equine influenza programmes at the Animal Health Trust are considered essential to provide diagnostic and surveillance capability for endemic, new and emerging equine infectious diseases. The Board has agreed funding for the IDS for two years. The Board continues to work with others in the thoroughbred industry, the Department for Environment, Food and Rural Affairs and the British Equine Veterinary Association to lobby, and respond to consultation, regarding import and export controls, quarantine and surveillance to minimise risks of equine infectious disease.

Risk	Mitigation
Disease pandemic (Human) The threat of human pandemics has increased markedly in recent years with incidents of SARS and bird-flu resulting in Government contingency plans, which would include travel restrictions. Such an outbreak could result in the movement of people and horses being stopped and the banning of public events, such as horserace meetings. Clearly this would have a negative impact on Levy generation.	On a national scale there is nothing that the Board can do to affect the impact of this risk. However this eventuality is considered in the Board's Business Continuity Plan, which includes options for home-working and the delegation/transfer of duties.
Short-term stoppages to horseracing It is recognised that horseracing could cease for a sustained period due to unplanned eventualities, such as severe weather, industrial action or animal rights activists. Such stoppages would have a negative impact on Levy generation.	This risk is monitored continually. The British Horseracing Authority (BHA) is responsible for developing contingency plans to ensure racing's continuation, but in reality events may be out of their control. The net impact on HBLB of short term stoppages is limited, as, although Levy income is reduced significantly in these scenarios, Levy grants would also cease.
Difficulties in forecasting Levy income The Levy yield is currently calculated as a function of bookmakers' gross profits on British horseracing and therefore it is difficult to forecast and subject to a number of key factors, such as changes in the product's margin, due to results or competition between bookmakers; the popularity of the sport compared to other betting products; and the location of internet and telephone bookmakers outside Britain.	The risk in this area has decreased in recent years since most remote operators have moved off-shore. In addition, both the 51st and 52nd Levy Schemes were underpinned by minimum guarantees provided by the three largest bookmakers and confirmation of Betfair's five-year deal with Racing.
BHA final salary pension scheme The Board provides a guarantee to the Trustees of the BHA final salary Pension Scheme, which would be called if the BHA could no longer afford to meet its pension obligations. The deficit on BHA's final salary Pension Scheme increased in 2012, following the 2011 triennial valuation, and so, in December 2012, the Board agreed to vary the terms of this guarantee and extended the guarantee period by five years to 2024.	The total liability of the Board is capped by a Deed dating from 2009, which limits to a maximum of £30.3m the amount that the Board would have to pay. If triggered, the guarantee payment would be spread over five years. Any additional calls for support would require full Levy Board approval. Any additional requests for support by the Trustees of the BHA Final Salary Pension Scheme would require full Board approval.

Risk	Mitigation
Credit risk The Board is exposed to a credit risk that could arise from either a bookmaker or a racecourse encountering financial difficulties. The financial stability of the largest bookmakers is considered satisfactory and therefore the likelihood of default by a bookmaker is assumed to be limited to the medium sized and smaller firms. The financial impact on the Board of a default by one of these firms is considered low. In the current economic climate the financial well-being of some racecourses is of more concern and the financial impact of a racecourse loan remaining unpaid could be much greater.	It is often the case that little or no warning is given when a company begins to experience financial difficulties. The Board therefore, in respect of new loans, limits the maximum loan exposure to £2m. Additionally the Board ensures that all racecourse loans in excess of £200,000 are fully secured by legal debentures and charges over land. Prompt action taken is always taken in the event of late or non-payment of Levy and if appropriate the Board will ask the Gambling Commission to revoke a bookmaker's licence, which is often a more cost effective measure than pursuing a legal challenge against a debtor.
Staff retention The small number of employees at the Board exacerbates the issues associated with the loss of key staff. The Board has identified three principal risks in this regard: (a) the abolition of the Levy Board, which since any such process would not be dictated by the Board, creates uncertainty for staff; (b) the potential risks resulting from the restructuring, in April 2013, of the senior executive team from three to two directors, which could lead to significant overstretch, resulting in pressures on the Chairman and other members of the Board's staff; (c) the requirement to re-locate into a new property space towards the end of 2013. The principal uncertainty stems from the fact that the Board may have limited control over this process, including eventual location, since there is an expectation that it will move into the Government property estate.	Regular liaison with DCMS ensures that the Executive keep abreast of developments related to potential abolition. The Board operates a Reserves policy that is designed to ensure that sufficient funds are reserved and not committed, in order that it can fulfil all of its obligations pre and post wind-up. The risks associated with the restructuring is considered a short-term issue. However, it remains closely monitored by the Chairman whose job is to ensure that the new management structure beds in successfully.

Information Management

The Board has suffered no protected personal data incidents during the year ended 31st March 2013 or prior years and has made no reports to the Information Commissioner's office.

There is nothing of which I am aware that leads me to believe that the Board's systems of control are not adequate.

Information Given to Auditors

The Accounting Officer and each of the Members of the Board have confirmed that so far as they are aware, there is no relevant information of which the Board's auditors are unaware and that they have taken all the steps that they ought to have taken in order to make themselves aware of any relevant information and to establish that the Board's auditors are aware of that information.

Alan Delmonte
Chief Executive and Accounting Officer
Horserace Betting Levy Board

26th June 2013

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Horserace Betting Levy Board for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows, Changes in Reserves; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and auditor

As explained more fully in the Statement of Responsibilities of Members and the Accounting Officer of the Horserace Betting Levy Board, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Horserace Betting Levy Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Horserace Betting Levy Board; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Horserace Betting Levy Board's affairs as at 31 March 2013 and of the surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Betting, Gaming and Lotteries Act 1963 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Betting, Gaming and Lotteries Act 1963; and
- the information given in the Financial Summary; Board Responsibilities and Functions and the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

5 July 2013

National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of comprehensive income for the year ended 31st March 2013

	Notes	2013 £000	2012 Restated £000
Revenue			
Levy income receivable for:			
51st Levy Scheme (comparative is 50th Levy Scheme)	2a	66,700	67,715
Previous years' Levy Schemes	2a	146	174
		66,846	**67,889**
Other income	2a	7,572	6,866
Interest receivable	2a	416	119
Total revenue		**74,834**	**74,874**
Expenditure			
Improvement of horseracing	4a	(60,405)	**(53,699)**
Other expenditure	4b	(5,017)	(4,898)
Pension finance costs	17c	(871)	(1,044)
Net loss on available-for-sale financial assets	12	–	(2)
Total expenditure		**(66,293)**	**(59,643)**
Operating surplus		**8,541**	**15,231**
Income tax	7	–	–
Surplus for the year		**8,541**	**15,231**
Other comprehensive income:			
Actuarial gain on the defined benefit pension scheme	17g	44	1,067
Total comprehensive income for the year		**8,585**	**16,298**

The surplus for the year arose from continuing operations.

The notes on pages 41 to 60 form part of these accounts.

Statement of financial position as at 31st March 2013

	Notes	2013 £000	2012 Restated £000	2011 Restated £000
Assets				
Non-current assets				
Property, plant and equipment	8	35	53	126
Loans	10	5,354	10,378	17,938
Total non-current assets		**5,389**	**10,431**	**18,064**
Current assets				
Trade and other receivables	9	7,600	4,930	142
Loans due within one year	10	5,028	8,429	11,403
Financial assets	12	12,110	12,531	3,253
Cash and cash equivalents	13	20,042	11,332	9,923
Total current assets		**44,780**	**37,222**	**24,721**
Total assets		**50,169**	**47,653**	**42,785**
Current liabilities				
Trade and other payables	14	(7,734)	(13,072)	(23,752)
Provisions	15	(124)	(502)	(601)
Total current liabilities		**(7,858)**	**(13,574)**	**(24,353)**
Total assets less total current liabilities		**42,311**	**34,079**	**18,432**
Non-current liabilities				
Provisions	15	–	(120)	(598)
Pension liability	17b	–	(233)	(406)
Total non-current liabilities		**–**	**(353)**	**(1,004)**
Total net assets		**42,311**	**33,726**	**17,428**
Reserves	18	**42,311**	**33,726**	**17,428**

These accounts were authorised for issue on the date shown on the Audit Certificate.

Paul Lee
Chairman
26th June 2013

Alan Delmonte
Chief Executive and Accounting Officer
26th June 2013

The notes on pages 41 to 60 form part of these accounts.

Cash flow statement for the year to 31st March 2013

	Notes	2013 £000	2012 Restated £000
Cash flow from operating activities			
Operating surplus for the year		8,541	15,231
Adjustments for:			
Depreciation		30	74
Interest receivable		(416)	(119)
Fair value adjustment for loans receivable	4a, 10	3	(1,009)
Net pension finance charge	17c	871	1,044
Pension contributions paid	17e	(1,060)	(150)
Increase in trade and other receivables		(2,670)	(4,788)
Decrease in trade and other payables		(5,338)	(10,680)
Decrease in provisions		(498)	(577)
Cash consumed by operations		**(537)**	**(974)**
Unrealised gain on financial assets	12	–	(2)
Income tax	7	–	–
Net cash flow from operating activities		**(537)**	**(976)**
Cash flow from investing activities			
Purchase of property, plant and equipment		(12)	(1)
Net loans repaid by racecourses	10	8,422	11,543
Interest and investment earnings		416	119
Net cash flow from investing activities		**8,826**	**11,661**
Cash flow from financing activities			
Net amounts transferred from/(to) financial assets	12	421	(9,276)
Net cash flow from financing activities		**421**	**(9,276)**
Net increase in cash and cash equivalents		**8,710**	**1,409**
Cash and cash equivalents at 1st April		11,332	9,923
Cash and cash equivalents at 31st March		**20,042**	**11,332**

The notes on pages 41 to 60 form part of these accounts.

Statement of changes in reserves for the year ended 31st March 2013

	Notes	Reserves* £000
At 1st April 2011, as previously stated		15,274
Prior year adjustment	2k	2,154
At 1st April 2011, as restated		17,428
Changes in Reserves 2012		
Retained surplus for 2012, as previously stated		15,658
Prior year adjustment		(427)
Actuarial gain on the defined benefit pension scheme		1,067
Total comprehensive income for 2012		**16,298**
Balance at 31st March 2012, as restated		**33,726**
At 1st April 2012, as restated		**33,726**
Changes in Reserves 2013		
Retained surplus for 2013		8,541
Actuarial gain on the defined benefit pension scheme		44
Total comprehensive income for 2013		**8,585**
Balance at 31st March 2013		**42,311**

* The Government Financial Reporting Manual (FReM) requires the 'Statement of changes in reserves' to be called the 'Statement of changes in taxpayers' equity', however, the Board, unlike most other non-departmental public bodies, receives no central Government grant-in-aid and no National Lottery funding and therefore it does not consider that the wording required by the FReM appropriately reflects the Board's unique status.

The notes on pages 41 to 60 form part of these accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR TO 31ST MARCH 2013

1. Basis of preparation

The accounts have been prepared on the going concern basis. The accounts are prepared under the historical cost convention, except available-for-sale financial assets, provisions and loans receivable that are stated at fair value.

The accounts have been prepared in a form as directed by the Secretary of State for Culture, Media and Sport and meet the disclosure and measurement requirements, in so far as they are considered to be applicable to the Board, of the 2012 – 2013 Government Financial Reporting Manual (FReM) issued by HM Treasury.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Board for the purposes of giving a true and fair view has been selected. The preparation of accounts in conformity with the FReM requires the use of estimation and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of income and expense during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of the FReM that have a significant effect on the accounts and estimates with a significant risk of material adjustment in the next year are discussed below.

Betting, Gaming and Lotteries Act 1963

The statement of comprehensive income is in accordance with the provisions of the above Act (as amended). The Levy income receivable from bookmakers and the contributions from the successor company to the Horserace Totalisator Board are governed by Sections 27 and 30 of the above Act, as amended, respectively.

Specific applications of revenue relate to the following sections of Part 1 of the Act.

Section:	
24(1)(a) and 25(2)(d)	Improvement of breeds of horses
24(1)(b) and 25(2)(d)	Advancement or encouragement of veterinary science or veterinary education
24(1)(c) and 25 (2)(d)	Improvement of horseracing
24(2)(a) and 24(6)	Administration
25(2)(c)	Charitable payments
25(2)(d)	Loans granted and investments made

1. Basis of preparation *continued*

Future accounting developments

The following new accounting standards have been issued but were not effective for the financial year beginning 1 April 2012 and have not been adopted early. There are no other IFRSs in issue, but not yet effective, that are expected to have a significant impact on the Board.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition. The key requirements of IFRS 9 are:

- all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within an organisation whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of the subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in income or expenditure.
- with regard to the measurement of financial liabilities designated as at fair value through income or expenditure, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in income or expenditure. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to income or expenditure. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through income or expenditure was presented in income or expenditure.

The Board has decided not to early adopt IFRS 9 and is currently assessing the impact on its financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 is effective for annual periods beginning on or after 1 January 2013. It establishes a single source of guidance for fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. The Board has decided not to early adopt IFRS 13 and is currently assessing the impact on its financial statements.

2. Accounting policies

A summary of the Board's accounting policies that are material in the context of the accounts is set out below.

a) Revenue

Levy income

Receivable from bookmakers, Levy income represents the total amount which it is estimated will be collected in respect of the Levy Scheme for the 51st Levy Scheme (for the year ended 31st March 2013). In addition Levy income includes the impact, if any, of the minimum guarantee, provided as part of the 51st Levy Scheme agreement, by Gala Coral, Ladbrokes and William Hill and also an amount in respect of adjustments to estimates made in previous years.

Other income

Other income principally comprises other non-statutory contributions and payments received from bookmakers.

Interest receivable

Interest income represents interest receivable during the financial year on the financial assets held and on cash deposits and loans to racecourses.

b) Leases

The Board has categorised all leases in accordance with IAS 17 and following this ongoing exercise, all leases held by the Board are classified as operating leases. Payments made under leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

c) Improvement of horseracing and veterinary grants

Grants payable in respect of the improvement of horseracing and advancements of veterinary science and education can cover a period of more than one year and in some cases the grants may relate to projects of up to four years in duration. Payments are normally made in the period to which they relate and grant expenditure is accounted for on an accrual basis to reflect the usage of grant funds on work carried out. Future commitments that have not been included in expenditure at the Statement of Financial Position date are disclosed in Note 20.

This accounting treatment represents a change in accounting policy and further details are included in Note 2k.

d) Property, plant and equipment

Items of property and equipment are initially recognised at cost. Depreciation is provided on all items of property and equipment to write off the cost, less residual value, by equal monthly instalments over their estimated useful economic lives.

The estimated useful economic lives are as follows:

Short leasehold premises	over the period of the lease
Furniture and equipment	24 to 120 months

2. Accounting policies *continued*

Property, plant and equipment is stated at depreciated historic cost as a proxy for fair value. All of the Board's assets are short life assets and therefore depreciated historic cost is considered a suitable measure of fair value. A review of property, plant and equipment is undertaken annually to ensure that all items are still in use and that no disposals have taken place.

Annual reviews are also undertaken to identify any impairment of assets as per IAS 36. Any gain or loss arising from the disposal of property, plant and equipment is determined as the difference between the disposal proceeds and the carrying amount of the asset, and is recognised in the Statement of Comprehensive Income as "Other expenditure" or "Other income."

e) Trade and other receivables

Trade receivables are reflected net of an estimated provision for doubtful accounts. This provision is based primarily on a review of all outstanding accounts and considers the past payment history and creditworthiness of each account and the length of time that the debt has remained unpaid.

The actual amounts of debts that ultimately prove irrecoverable could vary from the actual provision made. Trade and other receivables are detailed in note 9.

f) Discount rates

Where financial assets or liabilities are required to be presented at amortised cost, these are discounted utilising a suitable discount rate. In 2012, the Board adopted a discount rate that reflected the nominal yield from five-year British Government securities, since it considered this appropriate, however, in 2013, the discount rates chosen are in line with guidance supplied by HM Treasury.

g) Financial assets

The Board classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Board's accounting policy for each category is as follows:

Loans: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of loans to racecourses. They are measured initially at fair value and then carried forward at amortised cost less any provision for impairment. Any gains or losses are recognised in the statement of comprehensive income under Improvement of Horseracing.

Available-for-sale investments: Non derivative financial assets not included in the above category are classified as available-for-sale investments. These investments comprise high quality corporate or government bonds. They are recorded at fair value and updated on a quarterly basis. Any realised or unrealised gains or losses are recognised in the statement of comprehensive income.

Fixed term cash deposits: Fixed term deposits held to maturity in bank accounts with a maturity date that is greater than three months. Since all of these cash deposits are held in interest bearing accounts with duration of less than twelve months, the effect of the time value of money is not considered material and so these balances are shown at present value.

2. Accounting policies *continued*

h) Provisions

A provision is recognised in the statement of financial position when the Board has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. In 2012, the Board adopted a discount rate that reflected the nominal yield from five-year British Government securities, since it considered this appropriate, however, in 2013, the rates chosen are in line with guidance supplied by HM Treasury.

i) Pension schemes

The Board operates a defined contribution pension scheme. The cost of the defined contribution scheme is charged to the Board's comprehensive income account in the year to which it relates.

Previously, the Board also operated a defined benefit pension scheme, which was closed on 30th September 2009 and was fully wound up on 31st October 2012. For the defined benefit scheme, up to the date of wind-up, any increase in the present value of the liabilities of the scheme that was expected to arise from the current service of employees in the year was charged to the Board's comprehensive income account. For the period ending 31st October 2012, the expected return on the defined benefit scheme's assets and the expected increase during the year in the present value of the defined benefit scheme's liabilities have been included as pension finance income or costs as appropriate. Actuarial gains and losses have been recognised in the statement of comprehensive income account. Pension schemes assets, to the extent they are considered recoverable, and pension scheme liabilities, are recognised in the statement of financial position and represent the difference between the market value of scheme assets and the present value of scheme liabilities.

Pension scheme liabilities are determined on an actuarial basis using the projected unit method and are discounted at a rate using the current rate of return on a 15-year iBoxx AA-rated corporate bond index, considered to be of equivalent term and currency to the liability. The actuarial valuations include assumptions such as discount rates, return on assets, salary progression and mortality rates. These assumptions vary from time to time according to prevailing economic and social conditions. Details of assumptions used are provided in note 18.

j) Segmental reporting

The Board has determined that it operates in one material segment, which is to collect a statutory Levy from the horseracing business of British bookmakers and the Tote successor company which it then distributes for the improvement of horseracing and breeds of horses and for the advancement of veterinary science and education. The Board therefore operates within one geographical segment, Great Britain. The Board has a single significant source of income from Levy paid by bookmakers, and the segmental reporting reflects the Board's management and internal reporting structure.

k) Change in accounting policy

For 2013 the Board has amended the accounting policy for grants for the advancement of veterinary science and education with the intention of reflecting more closely the performance based nature of the grant terms and conditions. This change in policy is a result of consideration following detailed discussions with our new auditor, the NAO. Previously the Board has recognised the full cost of these grants at the time the award was offered and accepted by the research institution. At the year end, the unpaid element of the award used to be included within Current Liabilities, classified as Accruals and Trade and Other Creditors.

2. Accounting policies *continued*

This change in accounting policy in 2013, which means that the Board now only recognises the cost of research grants once the Board has been made aware that the work has been undertaken by the research institution, has resulted in a prior period adjustment.

The following table summarises the adjustments made to the statement of financial position on implementation of this new accounting policy.

	Accruals £000	Trade and other creditors £000	Reserves £000
Balance at 1st April 2011, as previously reported	3,176	67	15,274
Impact of change in accounting policy	(2,154)	–	2,154
Restated balance at 1st April 2011	**1,022**	**67**	**17,428**
Balance at 31st March 2012, as previously reported	2,829	325	31,999
Impact of the change in accounting policy at 1st April 2011	(2,154)	–	2,154
Impact of the change in accounting policy during 2012	569	(142)	(427)
Restated balance at 31st March 2012	**1,244**	**183**	**33,726**

The effects on the statement of comprehensive income were as follows:

	For the year ended 31st March	
	2013 £000	**2012 £000**
(Increase)/decrease in costs associated with the advancement of veterinary science and education	815	(427)
Increase/(decrease) in surplus for the year	815	(427)

3. Key sources of estimation uncertainty

In the application of the Board's accounting policies, which are described in note 2, the Members and the Accounting Officer are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i. Estimate of amounts due from/to bookmakers in respect of Levy income

The Levy income is derived from the actual 51st Levy Scheme Forms of Declaration received from bookmakers by the date of approval of these annual accounts and management's estimate in respect of the Levy income attributable to the Forms of Declaration yet to be submitted. For the year ended 31st March 2013, the estimated Levy income represented less than 2% of the total Levy income.

3. Key sources of estimation uncertainty *continued*

ii. Defined benefits retirement scheme

In order to calculate the value of the assets and liabilities of the defined benefits retirement scheme (the 'Scheme'), the Members and the Accounting Officer instruct the independent qualified actuaries to adopt a number of principal assumptions, which include the rate of inflation, the discount rate for Scheme liabilities, the expected rate of return on assets, salary progression and mortality rates. Further detail is included in Note 17. The Scheme was closed on 30th September 2009 and was fully wound up on 31st October 2012, at which time the Board discharged, in full, all of its liabilities in respect of this Scheme.

4. Expenditure costs

4a. Improvement of horseracing

	2013 £000	2012 £000
Horsemen		
Prize money	36,239	32,093
Prize money for divided races	1,467	937
Appearance money scheme	695	706
	38,401	**33,736**
Racecourses		
Fixture incentive scheme	3,425	2,542
Fair value adjustment to racecourse loans	3	(1,009)
	3,428	**1,533**
Raceday services		
Raceday services	16,900	16,984
BHA pension scheme – future provision	(502)	(585)
	16,398	**16,399**
Training		
Industry training	870	910
	870	**910**
Other		
Point-to-point meetings	235	207
Channel 4 racing	720	894
Great British Racing International	350	–
Miscellaneous	3	20
	1,308	**1,121**
	60,405	**53,699**

4. Expenditure costs *continued*

4b. Other expenditure

	2013 £000	2012 Restated £000
Improvement of breeds:		
Breeders' prizes scheme	681	591
Breed societies	100	100
Advancement of veterinary science and education	975	1,334
Administration costs	**2,982**	**2,622**
Bookmakers' Committee costs	228	244
Investment management fees	–	6
Charitable payments	51	1
	5,017	**4,898**

5. Surplus

	2013 £000	2012 £000
This has been arrived at after charging:		
Remuneration of Board Members and Chief Executive	357	353
Depreciation	30	74
Operating lease rentals	266	266
Auditors' remuneration:		
– External audit	40	44
– Internal audit and other services	7	18

6. Staff numbers and costs

The average number of persons (excluding Board Members) employed by the Board in the year was as follows:

	2013 FTE	2012 FTE
Permanent staff	13.0	14.1
Temporary staff	0.8	0.1
	13.8	14.2

The aggregate payroll costs of these persons were:

	2013 £000	2012 Restated £000
Wages and salaries	1,090	1,021
Social security	112	116
Pension costs	67	73
Redundancy payments	115	19
Other staff costs	**118**	76
	1,502	1,305

6. Staff numbers and costs *continued*

The comparative figures for 2012 have been restated so that the wages and salaries cost now includes the staff contributions to the group personal pension plan, which are made through the Board's salary sacrifice scheme. Previously the wages and salaries figure was shown net of these staff contributions since they were disclosed as pension costs.

Until 31st October 2012, the Board operated a pension scheme providing benefits based on final pensionable salary (the 'Scheme'). The Scheme was a multi-employer scheme to which The National Stud (withdrew on 17th April 2008) and The National Joint Pitch Council (withdrew on 13th June 2008) contributed. The Scheme was closed to new members on 31st March 2003. The Scheme ceased to accrue on 30th September 2009 and it was wound up on 31st October 2012. From that date no further payments are required to be made. A group personal pension plan was set up on 1st April 2003.

Further details are shown in note 17.

Redundancy costs in 2013 were paid in accordance with the terms of the individual employee's contract of employment. Further details are shown in the table below.

Redundancy payments in 2013 and 2012

	2013			2012		
	Compulsory redundancies	Other departures agreed	Total exit packages by cost band	Compulsory redundancies	Other departures agreed	Total exit packages by cost band
	Number	Number	Number	Number	Number	Number
Less than £10,000	–	–	–	–	1	1
£10,001 £25,000	–	–	–	–	1	1
£25,001—£50,000	–	–	–	–	–	–
£50,001—£75,000	–	–	–	–	–	–
£75,001—£100,000	–	–	–	–	–	–
£100,001—£125,000	1	–	1	–	–	–
Total number of redundancy payments	1	–	1	–	2	2

7. Taxation

The charge for taxation represents tax charged in the accounts of the Board in respect of interest received less certain deductions. Other revenue and expenditure of the Board is not taxable or tax deductible. There was no tax payable or refundable in the year (2012: £nil).

Factors affecting the tax charge for the year

The tax assessed for the year is lower than would be expected by multiplying the surplus before taxation by the standard rate of tax payable by corporate entities in the UK of 24% (26% in 2012). The differences are explained below:

	2013 £000	2012 Restated £000
Surplus for the year before tax	8,585	16,298
Taxation expense calculated at 24% (2012: 26%)	2,060	4,237
Effects of:		
Amounts not subject to taxation	(2,060)	(4,237)
Current taxation charge for the year	**–**	**–**

8. Property, plant and equipment

	Leasehold improvements £000	Furniture and equipment £000	Total £000
Cost:			
At 1st April 2011	118	786	904
Additions	–	1	1
Disposals	–	(516)	(516)
At 31st March 2012	**118**	**271**	**389**
Depreciation:			
At 1st April 2011	48	730	778
Charge for the year	24	50	74
Disposals	-	(516)	(516)
At 31st March 2012	**72**	**264**	**336**
Net book value:			
At 31st March 2011	70	56	126
At 31st March 2012	**46**	**7**	**53**

8. Property, plant and equipment *continued*

	Leasehold improvements £000	Furniture and equipment £000	Total £000
Cost:			
At 1st April 2012	118	271	389
Additions	–	12	12
Disposals	–	–	–
At 31st March 2013	**118**	**283**	**401**
Depreciation:			
At 1st April 2012	72	264	336
Charge for the year	24	6	30
Disposals	–	–	–
At 31st March 2013	**96**	**270**	**366**
Net book value:			
At 31st March 2012	46	7	53
At 31st March 2013	**22**	**13**	**35**

9. Trade and other receivables

	2013 £000	2012 £000	2011 £000
Trade and other receivables	234	146	50
Amounts due from bookmakers in respect of Levy income	6,036	3,867	–
Amounts due from bookmakers in respect of non-statutory contributions	1,050	737	–
Prepayments and accrued income	280	180	92
	7,600	**4,930**	**142**

All the above amounts are due within one year.

The prepayments and accrued income total at 31st March 2013 includes an intra-Government balance with Local Authorities of £1,949 (2012: £1,902).

10. Loans

	2013 £000	2012 £000	2011 £000
Secured:			
Repayable within five years	10,512	18,824	30,009
Repayable after more than five years	–	–	175
Unsecured:			
Repayable within five years	146	256	439
Total loans at historic cost	**10,658**	**19,080**	**30,623**
Fair value adjustment	(276)	(273)	(1,282)
Total loans at net present value	**10,382**	**18,807**	**29,341**
Loans included above due within one year	(5,028)	(8,429)	(11,403)
Loans due in more than one year	**5,354**	**10,378**	**17,938**

10. Loans *continued*

The loans granted prior to 1st April 2012 are interest free. The Board took the decision in December 2012 that new loans, granted after this date, should attract an interest charge of 4% per annum.

The loans are stated at net present value. In 2012, the Board adopted a discount rate that reflected the nominal yield from five-year British Government securities (1.06%), since it considered this appropriate given the time to maturity for the loans, however, in 2013, the discount rate prescribed by HM Treasury, 2.2%, has been utilised.

At the year end, £10,512,000 of the loan balance (2012: £18,824,000) was secured against the assets of the racecourses to which the loans had been made.

11. Financial instruments

The Board is exposed through its operations to one or more of the following financial risks.

Market risk
The principal market risk associated with the Board's activities is the risk that changes in interest rates will affect the Board's income or the value of its assets. However the risk is low as a high proportion of investments are fixed rate deposits. The Board does not have any debt and as such is not exposed to fluctuations in interest rates in this regard. The Board is not directly exposed to any foreign currency risk.

Liquidity risk
Liquidity risk is the risk that the Board fails to meet its financial obligations as and when they fall due. The management of operational liquidity risk aims primarily to ensure that the Board always has sufficient liquidity to meet its short-term working capital requirements. Medium-term and long-term cash requirements are managed having regard to the Board's forecast operating cash flows.

Credit risk
The Board invests surplus cash in term deposits and cash. The Board does not engage in speculative financial transactions and there are strict internal guidelines agreed by the Audit Committee that govern counter-party risk and the investment of funds, which ensure that no more than one-third of cash deposits are invested with any one financial institution. Funds are only invested in organisations that are approved by the Audit Committee and these must carry a minimum rating of A- (Standard and Poor's) and/or A3 (Moody's).

The Board also grants loans to racecourses, usually repayable over 4 or 5 years. All loan applications are considered in detail by the Investments Committee, in order to assess the credit worthiness of the applicant racecourse, and any loans that are greater than £200,000 are secured by legal charges against the borrower.

The credit risk associated with the risk of default by a bookmaker failing to meet the obligations under a particular Levy Scheme is not considered material, and this is evidenced by the fact that losses with regard to these trade receivables are historically low as non-payment of a Levy debt can lead to the Gambling Commission revoking the bookmaker's operating licence.

11. Financial instruments *continued*

On 30th July 2007 the Board entered into an agreement with the BHA, the Jockey Club and Trustees of the Jockey Club Pension Fund and Life Assurance Scheme, now known as the BHA Pension Scheme (the 'Scheme'), to guarantee the payment by the BHA of certain contributions to the Scheme. Accordingly, the Board has a contingent liability in the event of the BHA becoming unable to meet its obligations. Further information is shown at Note 21.

12. Financial assets

Financial assets comprise fixed term cash deposits that mature in greater than three months. The comparative figures for 2012, in Notes 12 and 13, have been restated to reflect this classification, as previously all cash deposits, regardless of the length of deposit term, were disclosed as 'Cash and cash equivalents'.

All of the fixed term cash deposits that mature in greater than three months are held in interest bearing bank accounts with duration of no more than twelve months, and therefore the effect of the time value of money is not considered material and so these balances have not been amortised and are shown at present value. Historically, the Board also held investments in high quality corporate or government bonds, which were managed on the Board's behalf by UBS, however all of these assets were disposed of in June 2011. The realised loss on financial assets in 2012, shown below, relates to these financial assets.

	2013 £000	2012 Restated £000	2011 £000
Balance at 1st April	12,531	3,253	12,481
Net change in financial assets	(421)	9,278	(9,228)
Balance at 31st March	**12,110**	**12,531**	**3,253**

	2013 £000	2012 Restated £000	2011 £000
Realised loss on financial assets	–	(2)	(141)
Unrealised gain on financial assets	–	–	14
Net loss on available-for-sale financial assets	**–**	**(2)**	**(127)**

13. Cash and cash equivalents: Movement in the year

	2013 £000	2012 Restated £000	2011 £000
Balance at 1st April	11,332	9,923	7,893
Net change in cash and cash equivalent balances	8,710	1,409	2,030
Balance at 31st March	**20,042**	**11,332**	**9,923**

13a. Cash and cash equivalents

	2013 £000	2012 Restated £000	2011 Restated £000
The following balances at 31st March were held at:			
Cash at banks and in hand	9,382	11,332	9,923
Bank deposits maturing in less than three months	10,660	–	–
	20,042	**11,332**	**9,923**

14. Current liabilities: Trade and other payables

	2013 £000	2012 Restated £000	2011 Restated £000
Capital credit grants	5,402	4,215	4,721
Accruals	1,724	1,244	1,022
Amounts due to bookmakers and the successor company to the Tote in respect of Levy income	442	7,392	17,905
Trade and other creditors	143	183	67
Social security	23	38	37
	7,734	**13,072**	**23,752**

The Social security total at 31st March 2013 represents an intra-Government balance with Central Government Bodies of £23,713 (2012: £37,891).

15. Provisions

The BHA Pension Scheme Provision represents the commitment given by the Board in the year ended 31st March 2008 to meet 70% of the annual deficit repair cost of the BHA pension scheme. At 31st March 2013, the value of this provision was £nil (2012: £502,000).

BHA Pension Scheme Provision	2013 £000	2012 £000	2011 £000
At 1st April	502	1,087	1,658
Provision utilised in the year	(505)	(609)	(609)
Unwinding of discount	3	24	38
At 31st March	**–**	**502**	**1,087**

In addition, a provision was created in 2011/12 to provide for the costs that the Board will incur in respect of premises dilapidations when the existing leasehold office property is vacated. The estimated cost of work required, discounted in accordance with IAS 37, is £124,000 (2012: £120,000), (2011: £112,000).

15. Provisions *continued*

For 2012, the discount rate adopted of 1.06% reflected the nominal yield from five-year British Government securities, however, in 2013, the rate utilised of -1.8% is in line with guidance supplied by HM Treasury for cash flows of up to five years. The provisions are analysed as current and non-current as follows:

	2013 £000	2012 £000	2011 £000
Current	124	502	601
Non-current	–	120	598
	124	**622**	**1,199**

16. Commitments under operating leases

At 31st March 2013 the Board was committed to making the following payments in respect of operating leases.

	2013 £000	2012 £000
Obligations under operating leases comprise:		
Buildings:		
Within 1 year	234	259
After 1 year but not more than 5 years	–	234
	234	**493**

17. Defined benefits retirement scheme

The Board operated a pension scheme providing defined benefits based on final pensionable salary. The Scheme is a multi-employer scheme to which The National Stud (withdrew on 17th April 2008) and the National Joint Pitch Council (withdrew on 13th June 2008) contributed. The Scheme was closed to new members on 31st March 2003 and a group personal pension plan was set up on 1st April 2003.

In 2004, liabilities in respect of members drawing pensions at that time were secured through the purchase of an annuity policy in the name of the Trustees.

In 2005 the Trustees purchased a buyout with an insurance company which insured estimated benefits for active and deferred members based on a termination date of September 2009. The Trustees purchased the buyout policy with the objective of eliminating risks arising from investment returns and longevity and obtaining greater certainty over contributions required for the pension scheme up to 30th September 2009.

With effect from 1st October 2009, when the Scheme commenced winding up, defined benefit accrual ceased in the Scheme and all members who were accruing additional service immediately before 1st October 2009 became deferred members. The impact of the closure of the Scheme is that the employer no longer made any regular contributions to the Scheme and instead was only responsible for paying additional contributions to finance the deficit that currently exists, paying for the ongoing expenses of running the Scheme and, if applicable, paying for any augmentations during the year.

17. Defined benefits retirement scheme *continued*

All of the liabilities of the Scheme were fully secured with an insurer on 30th September 2012 and the Scheme was fully wound up on 31st October 2012, and so the employer no longer has any obligations or liabilities to meet in respect of this Scheme.

The valuation used for IAS 19 disclosures has been based on a full assessment of the liabilities of the Scheme as at 30th June 2011. The present values of the defined benefit obligation were measured using the projected unit credit method. Actuarial gains and losses have been recognised in the period in which they occur through the Statement of Comprehensive Income.

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below:

	2013	**2012**
Rate of general long-term increase in salaries	**n/a**	n/a
Rate of increase in pensions in payment		
– Pre 1st April 1990 service	**5.0%**	5.0%
– Post 1st April 1990 service	**2.9%**	3.3%
Inflation rate	**3.0%**	3.5%
Discount rate for Scheme liabilities	**4.5%**	4.8%
Expected rate of return on assets	**4.5%**	4.8%

The mortality assumptions are based on standard mortality tables which allow for expected future mortality improvements. The assumptions are that a member, currently aged 69, will live on average for a further 19.5 years if they are male and for a further 21.4 years if they are female.

For a member who retires in 2023 at age 60, the assumptions are that they will live, on average, for a further 29.0 years after retirement if they are male and for a further 31.3 years after retirement if they are female.

17a. Expected return on assets

	2013		**2012**	
	Market value £000	**Long-term rate of expected return**	**Market value £000**	**Long-term rate of expected return**
Structured Buyout	–	4.5%	24,556	4.8%
Pensioner Annuities	–	4.5%	22,414	4.8%
Other	–	4.5%	42	1.7%
Combined	**–**	**4.5%**	**47,012**	**4.8%**

The Board employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each assets class is shown in the table at note 17a, above. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at 31st March 2013.

17. Defined benefits retirement scheme *continued*

17b. Reconciliation of funded status to the Statement of Financial Position

	2013 £000	2012 £000	2011 £000
Fair value of assets	–	47,012	42,060
Present value of funded defined benefit obligations	–	(47,245)	(42,466)
Liability recognised on the Statement of Financial Position	**–**	**(233)**	**(406)**

17c. Analysis of the amount charged to expenditure

	2013 £000	2012 £000
Past service cost	–	409
Interest cost	1,115	2,299
Expected return on assets	(958)	(1,664)
Settlement cost	714	–
Expense recognised in the Statement of Comprehensive Income	**871**	**1,044**

17d. Changes to the present value of the defined benefit obligation

	2013 £000	2012 £000
Opening defined benefit obligation	47,245	42,466
Interest cost	1,115	2,299
Actuarial losses on liabilities	254	5,164
Net benefits paid out	(758)	(3,093)
Past service cost	–	409
Settlements	(47,856)	–
Closing defined benefit obligation	**–**	**47,245**

17e. Changes to the fair value of Scheme assets

	2013 £000	2012 £000
Opening fair value of assets	47,012	42,060
Expected return on assets	958	1,664
Actuarial gains on assets	298	6,231
Contributions by the employer	1,060	150
Net benefits paid out	(758)	(3,093)
Settlements	(48,570)	–
Closing fair value of assets	**–**	**47,012**

17f. Actual return on assets

	2013 £000	2012 £000
Expected return on assets	958	1,664
Actuarial gains on assets	298	6,231
Actual return on assets	**1,256**	**7,895**

17. Defined benefits retirement scheme *continued*

17g. Analysis of amounts recognised in Statement of Comprehensive Income

	2013 £000	2012 £000
Total actuarial gains	44	1,067
Total gain in Statement of Comprehensive Income	**44**	**1,067**
Cumulative amount of gains recognised	**762**	**718**

17h. History of asset values, defined benefit obligation and surplus/deficit in the Scheme*

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Fair value of assets	–	47,012	42,060	41,605	34,262
Defined benefit obligation	–	(47,245)	(42,466)	(42,017)	(34,139)
(Deficit)/surplus in the Scheme	**–**	**(233)**	**(406)**	**(412)**	**123**

17i. History of experience gains and losses

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Experience gains/(losses) on assets	298	6,231	(561)	6,822	1,723
Experience gains/(losses) on liabilities*	22	2,406	(226)	178	(36)

** This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.*

18. Reserves

Reserves represent the cumulative undistributed historic surpluses of the Board.

19. Related parties

The Horserace Betting Levy Board is a Non-Departmental Public Body operating in accordance with the provisions of the Betting, Gaming and Lotteries Act 1963 (as amended). The Department for Culture, Media and Sport (DCMS) is the Board's controlling Government Department and is therefore a related party.

During the year the Board had the following material transactions in which there was a related interest:

- Paul Lee, Chairman, is a Governor of University of Manchester which received £21,817 in grants for veterinary science and education.
- Paul Roy, a Board Member, is Chairman of University of Liverpool Development Foundation and Vice President of the University of Liverpool's Philip Leverhulme Equine Hospital. The University of Liverpool received £165,696 in grants for veterinary science and education.

As per the restriction in section 28(10) of the Betting, Gaming and Lotteries Act 1963 (as amended), no details of the financial transactions between the Board and any bookmaker can be disclosed.

During the year, none of the key management staff, or other related parties, has undertaken any material transactions with the Horserace Betting Levy Board.

20. Other financial commitments

The Board estimates that the future costs to completion, in respect of grants payable for the advancements of veterinary science and education at 31st March 2013, are £2.5m. These grants can cover a period of more than one year and in some cases the grants may relate to projects of up to four years in duration. Practical experience and history has shown that it is very probable that the total, or at least a significant proportion of the total value, of these grants will be drawn down over the life of the project and it is only in exceptional cases that this does not occur. The payments to which the Board is committed as at 31st March 2013, analysed by the period during which the commitment expires, are as follows:

	2013 £000	2012 £000
Within 1 year	1,454	729
After 1 year but not more than 5 years	1,034	998
Veterinary science and education grants financial commitments	**2,488**	**1,727**

During the year the Board provisionally approved new loans to racecourses totalling £8.0 million:

	2013 £000	2012 £000
Racecourse loans approved by the Board, but not committed	7,800	-
Racecourse loans approved by the Board, and committed	200	-
Racecourse loans financial commitments	**8,000**	**-**

21. Contingent liability

On 30th July 2007 the Board entered into an agreement with the BHA, the Jockey Club and Trustees of the Jockey Club Pension Fund and Life Assurance Scheme, now known as the BHA Pension Scheme (the 'Scheme'), to guarantee the payment by the BHA of certain contributions to the Scheme. Following actuarial valuations of the Scheme as at 31st December 2008, the terms of the original agreement between the Board and the BHA were changed by a deed of amendment dated 30th October 2009.

Following the most recent actuarial valuation of the Scheme as at 31st December 2011, a new deed of amendment was agreed, which was signed on 11th December 2012.

Accordingly, the Board has a contingent liability in the event of the BHA becoming unable to meet its obligations and has agreed if such circumstances arise to:

(a) Meet the entire annual deficit contributions of £1,158,000 during the period ending 31st December 2019 (*2009 agreement: £985,000 per annum*) and £624,000 per annum for the period from 1st January 2020 and ending on 30th September 2024 (*2009 agreement: £nil per annum*);

21. Contingent liability *continued*

(b) Guarantee until the earlier of (i) 31st December 2024 and (ii) the date a future actuarial valuation of the Scheme discloses that there is no longer a past deficit on the basis of the December 2006 Actuarial Assumptions (2009 agreement: 31st December 2019) the full Scheme wind-up liabilities; up to a maximum of £30.3m (2009 agreement: £30.3m) in total, payable in five equal annual instalments, only in the event that the Scheme is wound up by its trustees as a result of the BHA becoming unable to maintain contributions, or terminates its participation in the Scheme, without substituting an alternative Principal Employer (Rule 66 of the Scheme). This guarantee does not apply if the Scheme is wound up for any other reason.

The Board no longer has a contingent liability in respect of the BHA's future service contributions to the Scheme (2009 agreement: up to a maximum of 7% per annum of pensionable salaries).

22. Events after the Reporting Period

22a. Chief Executive and Accounting Officer
Douglas Erskine-Crum, the Chief Executive and Accounting Officer, who served during the year ended 31st March 2013, left the Board on 7th April 2013. He was succeeded by Alan Delmonte, with effect from 8th April 2013.

22b. Judicial review
The Board was advised on 3rd May 2013 that the Court of Appeal had dismissed the application of William Hill Organisation Limited to quash the decision of the Board that customers of betting exchanges, acting in that capacity, are not liable to Levy. William Hill Organisation Limited has elected not to appeal this decision.

These accounts were authorised for issue by the Accounting Officer on the date shown on the audit certificate.

There are no events after the reporting period since this date to note.

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