

THE  
**RACING**  
FOUNDATION

ANNUAL REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

Charity Registration Number: 1145297  
Company Registration Number: 07890908

**THE RACING FOUNDATION**  
**ANNUAL REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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# THE RACING FOUNDATION

## REFERENCE AND ADMINISTRATION DETAILS

FOR THE YEAR ENDED 31 DECEMBER 2016

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### Charity name

The Racing Foundation

### Charity registration number

1145297

### Company registration number

07890908

### Registered address

75 High Holborn  
London  
WC1V 6LS

### Directors and Trustees during the year

Sir Ian Good (Chairman)  
Kirsten Rausing (retired from the Board 31/12/16)  
Ian Barlow  
Jane Keir  
William Rucker

### Directors and Trustees appointed 1<sup>st</sup> January 2017

Mark Johnston

### Key Management Personnel

#### Chief Executive Officer

Rob Hezel

#### Grants Manager

Tansy Challis

#### Independent auditor

RSM UK Audit LLP  
Bluebell House  
Brian Johnson Way  
Preston  
PR2 5PE

#### Bankers

Weatherbys Bank Ltd  
Sanders Road  
Wellingborough  
Northamptonshire  
NN8 4BX

#### Investment managers

Cazenove Capital  
Management  
12 Moorgate  
London  
EC2R 6DA

James Hambro & Partners  
Ryder Court  
14 Ryder Street  
London  
SW1Y 6QB

Ruffer LLP  
80 Victoria Street  
London  
SW1E 5JL

Sarasin & Partners LLP  
Juxon House  
100 St Paul's Churchyard  
London  
EC4M 8BU

## **THE RACING FOUNDATION**

### **TRUSTEES' REPORT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2016**

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The Trustees are pleased to present their annual directors report together with the financial statements of the charity for the year ending 31 December 2016 which are also prepared to meet the requirements for directors' report and accounts for companies act purposes.

The financial statements comply with the charities act 2011, the Companies Act 2006, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with financial reporting standard applicable in the UK and Republic of Ireland (FRS 102).

### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

#### ***Governing Document***

The Racing Foundation was founded by its three members, the British Horseracing Authority, the Racecourse Association and the Horsemen's Group in December 2011 so that the racing industry had an appropriate vehicle to accept and distribute funds arising from the government's sale of the Horserace Totalisator Board ('Tote').

The Racing Foundation is constituted as a company limited by guarantee, incorporated on 22<sup>nd</sup> December 2011 and registered as a charity on 6<sup>th</sup> January 2012. In the event of the company being wound up, members are required to contribute an amount not exceeding £1. The company was established under a Memorandum of Association, which established the objects and powers of the charitable company, and is governed under its Articles of Association.

#### ***Trustee Induction and Training***

New Trustees are appointed with reference to the role description and person specification for Racing Foundation trustees. This description is amended to reflect specific skills the trustees consider they may require at each appointment stage. All trustees receive an introductory presentation from Foundation staff and are provided with a range of documentation to update them on the Foundation's strategy, governance, policies and current challenges.

Trustees are encouraged to keep updated with relevant legislation, developments and best practice both within the racing and charity sectors and are regularly updated by staff at and between meetings.

#### ***Related Parties and co-operation with other organisations***

The Foundation regularly updates its members on key issues. This has included the appointment of a new Trustee and the recruitment process for a new Chair for 2017. More general updates have been provided by the CEO through attendance at the management committee meeting of the three organisations and addressing the BHA Board. The Foundation engages with senior management and staff at these organisations to ensure it has a broad understanding of the industry and to provide greater detail and understanding on key issues. The Foundation has made three pledges each of £1m to support the three bodies in the delivery of their industry strategy, the strategy for growth.

#### ***Pay policy for senior staff***

Staff remuneration is reviewed annually at the year-end by the Chair and any changes are proposed to trustees for approval. At the 31<sup>st</sup> December 2016 trustees approved a 3% increase for all staff (2015: 2%).

#### ***Appointment of Trustees***

The members are responsible for the appointment of directors, who are also charity trustees for the purposes of charity law. The number of trustees shall consist of at least two and not more than six persons. Members appoint trustees for terms of up to three years. Unless the members agree unanimously, a trustee may only serve a maximum of two terms before stepping down for a period. All new trustees are given a full induction on joining the board of trustees.

## THE RACING FOUNDATION

### TRUSTEES' REPORT (continued)

#### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

At the 31<sup>st</sup> December 2016 Kirsten Rausing's term of office as a trustee ended. She was replaced by Mark Johnston who was appointed on the 1<sup>st</sup> January 2017 for an initial term of three years.

#### *Organisation*

The trustees are responsible for the governance of the charity and for the use of its funds. In particular, the trustees are responsible for setting the charity's strategy and policies, and monitoring progress and fulfilment of these. Day to day management of the charity's affairs is delegated to the Chief Executive Officer who is supported by a Grants Manager. These individuals form the key staff for the charity and remuneration is set and reviewed annually by the Trustees.

#### OBJECTIVES AND ACTIVITIES

The objects of the charity are:

The advancement for the public benefit of any charitable purpose associated with the horseracing and thoroughbred breeding industry or with equine welfare, in each case by making grants to charities for such charitable purpose or purposes.

In furtherance of these objects, the trustees developed a strategic plan which provides a framework for how the Foundation will operate over the period 2015-2018. The Foundation considers that the funds it has received from the government's sale of the Tote represent a unique opportunity to establish a lasting legacy for the horseracing and thoroughbred breeding industry. Therefore, in developing this plan, the trustees agreed to take an approach that:

- Balances the needs of current and future generations;
- Develops supportive relationships with charities, based on mutual trust and respect;
- Encourages continuous improvement, reflection and learning; and,
- Reflects our independence and long-term perspective.

The key aims and objectives of the strategic plan for 2015-2018 are:

***To deliver a portfolio of grant schemes that will make a difference to racing's participants, both human and equine.***

- The Foundation will manage a range of grant schemes that are open to applications from all racing charities. Grants are awarded for a range of purposes. These include:
  - Social welfare
  - Education, training and participation
  - Equine science research
  - Thoroughbred horse welfare
  - Heritage and culture
- The Foundation will also fund three **initiatives** that aim to support the industries Strategy for Growth by drawing together charities to make significant progress in:
  - Enhancing injury rehabilitation services for racing's people.
  - Creating development opportunities for racing's people.
  - Enhancing equine welfare.
- The Foundation will continuously review arrangements for the effective assessment of grant applications and decision-making.

***To encourage and help charities work together.***

- Support collaboration among organisations where it is appropriate.

## THE RACING FOUNDATION

### TRUSTEES' REPORT (continued)

#### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

- Liaise with racing industry funders and other charitable foundations to co-ordinate and increase resources available for racing charities.
- Capture, share and apply learning from the activities we fund.

#### *To manage resources effectively in support of the Foundation's objectives.*

- Maintain and develop effective systems of governance that supports our work, including the introduction of new Trustees.
- Consolidate the management and oversight of our long-term investment portfolio to support our grant making programmes.
- Deliver a range of communications output to inform key stakeholders of our work and share the successes of the charities we fund.

#### STRATEGIC REPORT

##### *Grant Making Policy*

The Foundation may only make grants to charities which have been established in the UK.

The Trustees of the Foundation are committed to ensuring that the Foundation's funds are applied appropriately for eligible purposes only and are subject to appropriate terms and conditions. To that end, the Trustees have set out the guidelines which shall be followed when considering any prospective grant.

- Social welfare
  - The improvement in the health or the rehabilitation from injury of current or former members of the horseracing industry.
  - The prevention or relief of poverty amongst current or former members of the horseracing industry and their dependents.
  - Community development work in areas particularly connected with the horseracing industry (provided it is clear how such grant will benefit current or former members of the horseracing industry).
- Education, training and participation
  - The promotion of education and training connected with the horseracing and thoroughbred breeding industry.
- Equine science research
  - Applied research in the field of equine science insofar as the research project has immediate practical benefits to thoroughbred horseracing (but only where the useful results of any such research will be published and publicised).
- Thoroughbred horse welfare
  - The improvement of the welfare of current or former thoroughbred racehorses.
- Heritage and culture
  - The preservation or enhancement of the understanding of the history of the sport of horseracing, and its associated cultural impacts.

##### *Public Benefit*

The trustees have referred to the Charity Commission's guidance on public benefit when reviewing aims and objectives and when planning future activities. Particular attention was paid to this guidance when preparing the charity's grant making policy such that grants will only be made to charities for charitable purposes, in accordance with the Racing Foundation's own objects. The grant application process has also been designed to ensure that it is accessible to all

# THE RACING FOUNDATION

## TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

### STRATEGIC REPORT (continued)

#### *Public benefit (continued)*

eligible applicants. Furthermore, charities applying for funding are asked to clearly state what benefits arise from their work and the Foundation's trustees will give this their full consideration when awarding grants. The trustees are therefore satisfied that the Foundation meets the Charity Commission's public benefit test. Details of the Foundation's achievements and performance in 2016 against the 2015-2018 strategic plan are listed below:

#### *Achievements and Performance*

##### *1) To deliver a portfolio of grant schemes that will make a difference to racing's participants, both human and equine.*

- The Foundation ran three funding rounds in 2016.
- In these funding rounds, the Foundation received 36 applications with a combined value of £2,514k.
- The Foundation worked in partnership with the Horserace Betting Levy Board ('HBLB') to administer a funding round for equine science research grants. The Foundation received 16 applications with a combined value of £3.3m. By collaborating with the HBLB, the Foundation has benefitted from their established relationships with research institutions and their Veterinary Advisory Committee's considerable expertise in assessing applications. This process results in a much lower percentage success rate in this area due to the nature of the bids.
- A table analysing the number and value of applications received and grants awarded is provided below:

	<b>Number of Applications Received</b>	<b>Value of Applications Received £000's</b>	<b>Number of Grants Awarded</b>	<b>Value of Grants Awarded £000's</b>
<b>Open Grants Programme</b>				
Social welfare	8	£669	5	£317
Training, education & participation	14	£1,265	13	£1,258
Horse welfare	11	£550	9	£337
Heritage & culture	3	£30	2	£15
<b>Sub-total</b>	<b>36</b>	<b>£2,514</b>	<b>29</b>	<b>£1,927</b>
<b>Equine Science Research</b>	<b>16</b>	<b>£3,300</b>	<b>3</b>	<b>£227</b>
<b>Total</b>	<b>52</b>	<b>£5,814</b>	<b>32</b>	<b>£2,154</b>
<b>Pro-active Funding Initiatives</b>				
Personal Development Programme			1	£62
Enhancing Injury Rehabilitation			1	£114
<b>Sub-total</b>			<b>2</b>	<b>£176</b>
<b>Total</b>			<b>34</b>	<b>£2,330</b>

- The analysis includes grants awarded to Askham Bryan (£300k) and the Pony Club (£6k) both of which were subsequently withdrawn as the projects were not taken forward by the respective organisations.

## THE RACING FOUNDATION

### TRUSTEES' REPORT (continued)

#### FOR THE YEAR ENDED 31 DECEMBER 2016

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### STRATEGIC REPORT (continued)

#### Achievements and Performance (continued)

- We have in place a rigorous review process for larger grants given and all Charities that receive a grant from the Foundation are asked to report back on how they have spent their grants, what they have achieved and what they have learnt from their work. Reporting is usually done at the project end or annually if it is a multi-year grant. These reports, together with the more informal ongoing communication that the Foundation's staff maintain with grantees, have begun the process of capturing and sharing the learning from the work that we fund.

#### *2) To encourage and help charities work together.*

- In addition to the grants awarded, the Foundation has sought to encourage and support collaboration among racing charities. The Foundation has created opportunities for racing charities to work together notably through hosting charity seminars and our work on creating resources to assist the racing charity community. In 2016 we hosted a seminar for racing charities that examined a range of issues including the measurement of impact, a training seminar on writing grant applications and a seminar evaluating our research and work to date on our personal development planning initiative. We arranged membership for all racing charities of the National Council for Voluntary Organisations (NCVO), co-ordinated a central resource to help recruit volunteers for the sector and identified a network of funders sympathetic to racing causes. We will further evaluate our work in this area as we decide on our strategy for 2018-2021.

#### *3) Managing resources effectively in support of the Foundation's objectives*

- The Foundation seeks to maintain effective systems of governance. Three board meetings were held during 2016, with a 100% attendance record from all trustees. Three Small Grants Committee meetings were held during 2016 with a 100% attendance record from all members.
- The Foundation's activities are sustained by financial returns generated by its designated and expendable endowment funds. Management of these funds plays a crucial role in the Foundation's ability to support the funding of current and future generations within horseracing. Investment policy and performance is discussed in more detail below under 'investment policy and performance' however during the year investment returns were above target by 8.4%. Cumulatively, since inception, in 2012 they exceed the targets set by trustees by 20%.
- Support costs, management and administration were 8% (2015: 6%) of total resources expended. This reflects the full year employment costs of the CEO, in 2015 a vacancy existed for three months.
- The Foundation maintains a presence on the internet at [www.racingfoundation.co.uk](http://www.racingfoundation.co.uk). The Foundation also sends out regular e-newsletter to charities and other stakeholders to keep them abreast of Foundation news and set up a Twitter handle: @RFoundation01 to provide grant alerts and updates on the charities and projects it supports.

The Foundation continued to deliver positively against its strategy in 2016 supporting 23 separate organisations with £2.3m of grants, increasing the opportunities it provided for racing charities to network and develop and effectively managing its own resources.

#### Financial Review

The Racing Foundation received its final payment from the Department of Media, Culture and Sport in 2014. Its receipts have been placed with investment managers, with the aim of preserving the capital over the long term and generating investment income to fund grant-making activities.

The Foundation generated income from bank deposits and investments amounting to £1,886,010 (2015: £1,875,960). Investment gains of £7,688,655 (2015: £549,893) were achieved.

This helped fund expenditure of £2,556,165 (2015: £2,655,729), including grants of £2,025,000 (2015 £2,237,000).

## **RACING FOUNDATION**

### **TRUSTEES' REPORT (continued)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **STRATEGIC REPORT (continued)**

Overall, as at 31 December 2016, the Foundation's net funds stood at £87,957,279 (2015: £80,938,779).

##### ***Reserves Policy and going concern***

The Foundation has adopted a policy of maintaining the long-term real capital value of all receipts arising from the government's sale of the Tote and only spending the financial return derived from the capital. This will ensure that the Tote sale proceeds generate a lasting legacy, which will benefit both current and future generations.

The funds received from the Department of Culture Media and Sport as expendable endowment, are held separately in the accounts along with a designated fund, representing those funds received from the Department of Culture Media and Sport in 2012, which did not carry the expendable endowment restriction on use. Whilst these monies came without restriction, the trustees felt that it was important to treat these as contributing towards the long-term legacy of the Tote sale and placed an expendable endowment restriction on them too. While Charity Law does not allow for these funds to be merged they are treated identically.

The Foundation also maintains a general reserve. This unrestricted fund is used to accumulate investment income prior to being spent on charitable grants and costs associated with administering the Foundation.

##### ***Investment Policy and Performance***

The Foundation has an investment policy, which applies to all monies held within the expendable endowment fund and the designated fund. The policy aims to maintain the real capital value over the long-term, whilst generating a sustainable level of return to support the grant-making activities of the Foundation.

In order to control risk and volatility in the investment portfolio, trustees have adopted a long-term annual expenditure target of at least 3% of the investment asset value. As a result, the trustees have adopted an investment performance benchmark of inflation (as measured by the Consumer Prices Index) plus 3% per annum, in the medium to long term after all costs.

The Foundation used the services of four investment managers during the year. Cazenove Capital Management and Sarasin and Partners LLP are the main investment managers, with smaller additional sums invested with James Hambro & Partners and Ruffer. The performance of these investment managers is closely monitored by the trustees, with the assistance of a specialist independent investment advisor. During 2016, the trustees conducted a three-year review of investment managers and added a fourth investment manager Sarasin at that point.

##### ***Performance***

The performance of investment managers exceeded the targets set for the year. Trustees expected performance to reflect a nett increase (in capital value and the generation of investment income) of CPI plus 3%. Actual performance was an increase of 13%, 8.4% above target. Cumulatively to date the funds have exceeded the target set by 20%.

##### **Plans for Future Periods**

In order to complete delivery of the 2015-2018 strategy a range of operational activities are planned for 2017. The trustees approved a business plan identifying activities by strategic objective which are all intended to contribute to the achievement of the current strategy. Importantly the Foundation will recruit a new Chair to replace Sir Ian Good whose term of office as Trustee and Chair will end on the 30<sup>th</sup> June 2017 and decide on a new strategy for 2018-2021. Work on a new strategy will involve engagement with key stakeholders to ensure Trustees understand their current views on the Foundation and the aspirations they have for its future.

## THE RACING FOUNDATION

### TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

#### STRATEGIC REPORT (continued)

##### Principal Risks and Uncertainties

The principal risks identified by trustees together with the actions taken to mitigate these risks are set out below:

<b>Risk description</b>	<b>Risk mitigation</b>
<b><i>Stock market volatility:</i></b> Market volatility may impact upon both levels of investment income generated and the real value of the funds held.	The trustees reviewed the investment managers used at the start of 2016 and added a fourth investment manager spreading their risk. The investment policy has been amended to provide more flexibility to the managers. The trustees continue to take advice on investments from an independent source.
<b><i>Lack of continuity:</i></b> The introduction of three new trustees and a recently appointed staff threatened a loss of internal organisational memory and to present key knowledge gaps.	The members agreed to extend the terms of two trustees and a timely process was agreed to ensure a new trustee with the required skills, knowledge and experience was appointed in a timely manner. Recruitment of a replacement Chair is underway.
<b><i>Industry pressure:</i></b> The Trustees use only the funds generated annually from investments (with some flexibility) and aim to maintain the real value of the investment to benefit future generations. This policy could come under scrutiny and pressure due to the financial demands stakeholders face in delivering and improving the sport.	The trustees continue to be very clear to all stakeholders on their policy and will review guidance on their grant making criteria in 2017.
<b><i>Lack of infrastructure:</i></b> The lack of internal Foundation resources, the resources of charities within the sector and the resources of other stakeholders could impact on the delivery of projects granted funds.	The trustees have appointed independent evaluation consultants to one key project already and will consider available resources to manage projects when making decisions on grant applications.
<b><i>IT fraud:</i></b> The general levels of IT fraud have escalated and the Foundation was subject to an attempted fraud during the year.	The trustees are satisfied that the current banking procedures protect them from the type of fraud attempted in the year. The general IT systems and security infrastructure will be reviewed in 2017.

The trustees have adopted a formal risk management process to assess risk and implement risk management strategies. This process involves:

- An annual review to identify the risks the Foundation may face.
- Prioritising risks in terms of probability of occurrence and potential impact.
- The establishment of systems and procedures to mitigate against those risks.

As a result of this process, the trustees are satisfied that adequate procedures and systems are in place to effectively manage risk.

**THE RACING FOUNDATION**

**TRUSTEES' REPORT (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**TRUSTEES' RESPONSIBILITIES STATEMENT**

The Foundation's trustees (who are also the directors for the purposes of Company Law) are responsible for preparing the trustees' annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law and the law applicable to charities in England and Wales requires the charity trustees to prepare financial statements for each year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources. In preparing the financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles of the Charities SORP;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Charities SORP (2015). They are also responsible for safeguarding the assets of the charity and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Statement of Disclosure to Auditors**

In so far as the trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware; and
- The trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**DECLARATION**

The trustees declare that they have approved the trustees' report above.

Signed on behalf of the charity's trustees

Ian Barlow  
Trustee

Dated .....

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RACING FOUNDATION  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**Opinion on financial statements**

We have audited the financial statements of The Racing Foundation (the 'charitable company') for the year ended 31 December 2016 which comprise of the Statement of Financial Activities, the Balance Sheet the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Trustees' Report and the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Trustees' Report and the incorporated Strategic Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Trustees' Report and the incorporated Strategic Report.

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

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

**Respective responsibilities of trustees and auditor**

As explained more fully in the Statement of Trustees' responsibilities set out on page 9, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Karen Musgrave (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Bluebell House  
Brian Johnson Way  
Preston  
PR2 5PE

Date: .....

**THE RACING FOUNDATION**

**STATEMENT OF FINANCIAL ACTIVITIES**

**(Including the Income and Expenditure Account and Statement of Total Recognised Gains and Losses)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	Unrestricted funds £000's	Expendable endowment funds £000's	Total 2016 £000's	Total 2015 £000's
<b>Income and endowments from:</b>					
Donations and legacies		-	-	-	-
Income from investments		1,886	-	1,886	1,876
<b>Total income and endowments</b>	<b>3</b>	<u>1,886</u>	<u>-</u>	<u>1,886</u>	<u>1,876</u>
<b>Expenditure from:</b>					
Raising funds:					
Investment management costs		-	(252)	(252)	(290)
Charitable activities:					
Grant making		(2,304)	-	(2,304)	(2,366)
<b>Total expenditure</b>	<b>4</b>	<u>(2,304)</u>	<u>(252)</u>	<u>(2,556)</u>	<u>(2,656)</u>
Net gains on investments		1,021	6,668	7,689	550
<b>Net (expenditure)/income</b>		<u>603</u>	<u>6,416</u>	<u>7,019</u>	<u>(230)</u>
Transfers between funds		-	-	-	-
<b>Net movement in funds</b>		<u>603</u>	<u>6,416</u>	<u>7,019</u>	<u>(230)</u>
<b>Total funds brought forward</b>		<u>11,313</u>	<u>69,626</u>	<u>80,939</u>	<u>81,169</u>
<b>Total funds carried forward</b>	<b>15</b>	<u><u>11,916</u></u>	<u><u>76,042</u></u>	<u><u>87,958</u></u>	<u><u>80,939</u></u>

All of the activities are continuing. There were no recognised gains or losses other than those stated above.

The notes on pages 14 to 23 form part of these financial statements.

**THE RACING FOUNDATION**

**BALANCE SHEET**

**AS AT 31 DECEMBER 2016**

	Notes	Unrestricted funds £000's	Expendable Endowment funds £000's	Total 2016 £000's	Total 2015 £000's
<b>Fixed Assets</b>					
Tangible assets	9	1	-	1	3
Investments	10	11,686	72,357	84,043	78,364
<b>Total fixed assets</b>		<u>11,687</u>	<u>72,357</u>	<u>84,044</u>	<u>78,367</u>
<b>Current assets</b>					
Debtors	11	66	-	66	132
Cash at bank & in hand	12	1,692	4,185	5,877	4,444
<b>Total current assets</b>		<u>1,758</u>	<u>4,185</u>	<u>5,943</u>	<u>4,576</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(1,267)</u>	<u>-</u>	<u>(1,267)</u>	<u>(1,367)</u>
<b>Net current assets</b>		491	4,185	4,676	3,209
<b>Creditors: amounts falling due in more than one year</b>	14	<u>(262)</u>	<u>(500)</u>	<u>(762)</u>	<u>(637)</u>
<b>Net assets</b>		<u>11,916</u>	<u>76,042</u>	<u>87,958</u>	<u>80,939</u>
<b>Funds of the charity</b>					
Unrestricted funds – general		230	-	230	648
- designated		11,686	-	11,686	10,665
Endowment funds		-	76,042	76,042	69,626
<b>Total funds</b>	15	<u>11,916</u>	<u>76,042</u>	<u>87,958</u>	<u>80,939</u>

These financial statements were approved and authorised for issue by the Trustees on 29<sup>th</sup> March 2017 and were signed on their behalf by:

Ian Barlow  
Trustee

The notes on pages 14 to 23 form part of these financial statements.

**THE RACING FOUNDATION**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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	<b>Notes</b>	<b>Total 2016 £000's</b>	<b>Total 2015 £000's</b>
<b>Cash flows from operating activities</b>	<b>16a</b>	<u>(2,463)</u>	<u>(1,838)</u>
<b>Cash flows from investing activities:</b>			
Investment income received		1,886	1,876
Proceeds from sale of investments		52,525	25,414
Payments to acquire investment assets		(50,515)	(22,829)
Payments to acquire tangible fixed assets		-	(1)
<b>Net cash used in investing activities</b>		<u>1,433</u>	<u>4,460</u>
<b>Change in cash and cash equivalents in the reporting period</b>	<b>16b</b>	<u><u>1,433</u></u>	<u><u>2,622</u></u>

The notes on pages 14 to 23 form part of these financial statements.

# THE RACING FOUNDATION

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1. BASIS OF PREPARATION

#### 1.1 Basis of accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### 1.2 Going concern

The Trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future and the company is well placed to manage its risks successfully. Accordingly, they adopt the going concern basis in preparing the annual report and accounts.

### 2 ACCOUNTING POLICIES

#### 2.1 Incoming resources

Income is included in the Statement of Financial Activities (SoFA) when:

- the charity becomes entitled to the resources;
- the trustees are virtually certain they will receive the resources; and
- the monetary value can be measured with sufficient reliability.

Where incoming resources have related expenditure the incoming resources and related expenditure are reported gross in the SoFA.

Grants and donations are only included in the SoFA when the charity has unconditional entitlement to the resources.

Short term debtors are measured at transaction price, less any impairment.

Investment income is included in the accounts when due. Investment gains and losses include any gain or loss on the sale of investments and any gain or loss resulting from revaluing investments to market value at the end of the year.

#### 2.2 Expenditure and liabilities

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Governance costs include costs of the preparation and audit of statutory accounts, the costs of trustee meetings and cost of any legal advice to trustees on governance or constitutional matters.

Where the charity gives a grant commitment with conditions for its payment being a specific level of service or output to be provided, such grants are only recognised in the SoFA once the recipient of the grant has agreed to provide the specified service or output. Grants commitments payable without performance conditions are

## THE RACING FOUNDATION

### NOTES TO THE ACCOUNTS (continued)

#### FOR THE YEAR ENDED 31 DECEMBER 2016

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## 2 ACCOUNTING POLICIES (continued)

recognised in the accounts when a commitment has been made and there are no conditions to be met relating to the grant which remain in the control of the charity.

Support costs have been allocated to activity on the basis of staff time and resources.

### 2.3 Assets

Tangible fixed assets for use by charity are capitalised if they can be used for more than one year, and cost at least £1,000. They are valued at cost or a reasonable value on receipt.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost on a straight-line basis over their expected useful economic lives as follows:

Office equipment over 4 years

Investments are a form of basic financial instruments and are initially shown in the financial statements at market value. Movements in the market values of investments are shown as unrealised gains and losses in the Statement of Financial Activities.

### 2.4 Cash at bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

### 2.5 Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments, including trade and other debtors and creditors are initially recognised at transaction value and subsequently measured at settlement value.

### 2.6 Funds

General unrestricted funds are donations and other income receivable or generated for the objects of the charity.

Expendable endowment funds and designated funds are held separately from general unrestricted funds. There is no requirement to spend or apply the capital from either of these funds unless, or until, the trustees decide to spend it. If the trustees exercise the power to spend or apply the capital of the expendable endowment or designated funds, the relevant funds are transferred to unrestricted general funds in line with the terms of the original grant from the department of culture, media and sport.

**THE RACING FOUNDATION**

**NOTES TO THE ACCOUNTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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<b>3. ANALYSIS OF INCOMING RESOURCES</b>	<b>2016</b>	<b>2015</b>
	<b>£000's</b>	<b>£000's</b>
<b>Investment income</b>		
Dividends receivable	1,862	1,865
Bank interest	24	11
	<hr/>	<hr/>
	1,886	1,876
<b>Total</b>	<hr/> <b>1,886</b> <hr/>	<hr/> <b>1,876</b> <hr/>
<b>4. ANALYSIS OF RESOURCES EXPENDED</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Cost of generating funds</b>		
Cost of generating voluntary income	-	-
Investment management fees	225	250
Independent investment advice	27	27
Support costs (see note 6)	16	13
	<hr/>	<hr/>
	268	290
<b>Charitable activity: grant making</b>		
Grants payable (see note 5)	2,025	2,237
Other charitable activity	102	-
Support costs (see note 6)	144	117
Governance - Auditor's fee	15	10
Governance - Trustees expenses	2	2
	<hr/>	<hr/>
	2,228	2,366
<b>Total</b>	<hr/> <b>2,556</b> <hr/>	<hr/> <b>2,656</b> <hr/>

**THE RACING FOUNDATION**

**NOTES TO THE ACCOUNTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

<b>5. GRANT EXPENDITURE</b>	<b>2016</b>	<b>2015</b>
	<b>£000's</b>	<b>£000's</b>
Social Welfare:		
Liverpool John Moores University	208	-
Injured Jockeys Fund	50	20
Eastbury PCC	-	10
Racing Homes	-	26
Racing Welfare	49	42
Racing Centre	10	
University of Cambridge	-	43
University of Oxford	-	223
	<hr/>	<hr/>
	317	364
Education, Training and Participation:		
Northern Racing College	846	208
British Racing School	32	122
British Horseracing Education Standards Trust (BHEST)	26	5
Oxford Brookes University	10	-
Askham Bryan College	-	28
Greatwood Charity	10	9
National Horseracing Museum	-	70
University of Liverpool	-	15
Thoroughbred Breeders Association	19	-
Racing to School	6	-
Racing Welfare	4	-
	<hr/>	<hr/>
	953	457
Equine Science Research:		
Horserace Betting Levy Board	227	134
	<hr/>	<hr/>
	227	134
Thoroughbred Horse Welfare:		
Retraining of Racehorses	252	19
Homing Ex-Racehorses Organisation Scheme (HEROS)	15	160
Moorcroft Racehorse Welfare Centre	-	33
Thoroughbred Rehabilitation Centre	-	8
Racehorse Rescue Centre	25	5
New Beginnings	35	-
Racehorse Sanctuary	10	-
	<hr/>	<hr/>
	337	225
Heritage and Culture:		
Home of Horseracing Trust	-	500
Free Spirit Memorial	5	-
Friends of Newmarket Library	10	-
	<hr/>	<hr/>
	15	500
Injury and Rehabilitation Initiative:		
Racing Centre	114	84
Thoroughbred Breeders Association	-	10
	<hr/>	<hr/>
	114	94
	<hr/>	<hr/>

# THE RACING FOUNDATION

## NOTES TO THE ACCOUNTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2016

<b>5. GRANT EXPENDITURE (continued)</b>	<b>2016 £000's</b>	<b>2015 £000's</b>
Personal Development Initiative:		
Jockeys Employment and Training Scheme	-	333
Wavertree Charitable Trust	-	94
Northern Racing College	-	13
British Racing School	-	23
Racing Welfare	62	-
	<u>62</u>	<u>463</u>
<b>Total grant expenditure</b>	<u>2,025</u>	<u>2,237</u>

All grants were made to organisations. No grants were made to individuals.

<b>6. SUPPORT COSTS</b>	<b>Generating funds £000's</b>	<b>Grant making £000's</b>	<b>Total £000's</b>
Management & administration	11	102	113
Website, IT and communications	1	9	10
Travel and general office expenses	4	33	37
	<u>16</u>	<u>144</u>	<u>160</u>

All support costs are allocated to activities based on the approximate amount of staff time devoted to each activity.

### 7. TRUSTEE REMUNERATION AND EXPENSES

The trustees received no remuneration for their role as trustee during this or the preceding year.

Trustees' expenses of £1,881 (2015: £1,923) are included in charitable activities. These relate to travel and accommodation costs commensurate with attending trustee meetings. Expenses were reimbursed to 1 trustee during the year (2015:2).

<b>8. STAFF COSTS</b>	<b>2016 £000's</b>	<b>2015 £000's</b>
Gross wages	95	66
Employer's national insurance contributions	11	5
Pension costs	7	5
Other benefits	-	-
	<u>113</u>	<u>76</u>

Key staff incurred total remuneration costs of £113k during the year (2015: £76k). No employees earned over £65k during the period (2015 – £60k).

**THE RACING FOUNDATION**

**NOTES TO THE ACCOUNTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

<b>9. TANGIBLE FIXED ASSETS</b>	<b>Office Equipment £000's</b>	<b>Total £000'</b>
<b>Cost</b>		
Balance brought forward	11	11
Additions	-	-
	<u>11</u>	<u>11</u>
Balance carried forward	11	11
	<u>11</u>	<u>11</u>
<b>Depreciation</b>		
Balance brought forward	8	8
Depreciation charge for the year	2	2
	<u>10</u>	<u>10</u>
Balance carried forward	10	10
	<u>10</u>	<u>10</u>
<b>Net book value</b>		
Balance brought forward	3	3
	<u>3</u>	<u>3</u>
Balance carried forward	1	1
	<u>1</u>	<u>1</u>
<b>10. FIXED ASSETS INVESTMENTS</b>		
	<b>2016 £000's</b>	<b>2015 £000's</b>
Carrying market value at the beginning of the year	78,364	80,399
Additions to investments at cost	50,515	22,830
Disposals at carrying value	(52,525)	(25,415)
Investment gains/(losses)	7,689	550
	<u>84,043</u>	<u>78,364</u>
Carrying market value at end of year	84,043	78,364
	<u>84,043</u>	<u>78,364</u>
<b>Historical cost at end of year</b>	<u>73,758</u>	<u>75,606</u>
	<u>73,758</u>	<u>75,606</u>
<b>Analysis of investments (at market value)</b>		
	<b>£000's</b>	<b>£000's</b>
Listed investments:		
Fixed interest securities	19,177	15,503
Equity shares	51,515	31,715
Common investment funds, investment trusts & unit trusts	13,351	31,146
	<u>84,043</u>	<u>78,364</u>
Carrying market value at end of year	84,043	78,364
	<u>84,043</u>	<u>78,364</u>

All investments held by the Foundation are registered on recognised UK, USA and International stock exchanges.

**Material investment holdings (at market value)**

The following investments represent more than 5% of the value of total investments:

	<b>£000's</b>	<b>£000's</b>
CF Ruffer Absolute Return Fund	9,056	8,126
	<u>9,056</u>	<u>8,126</u>

**THE RACING FOUNDATION**

**NOTES TO THE ACCOUNTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

<b>11. DEBTORS</b>					<b>2016</b>	<b>2015</b>
					<b>£000's</b>	<b>£000's</b>
Prepayments and accrued income					66	132
					<u>        </u>	<u>        </u>
<b>12. CASH AT BANK</b>					<b>2016</b>	<b>2015</b>
					<b>£000's</b>	<b>£000's</b>
Cash on deposit with investment managers					4,185	2,436
Cash on bank deposit					1,557	1,921
Current account					135	87
					<u>        </u>	<u>        </u>
					<u>5,877</u>	<u>4,444</u>
<b>13. CREDITORS: amounts falling due within one year</b>					<b>2016</b>	<b>2015</b>
					<b>£000's</b>	<b>£000's</b>
Grant commitments					1,134	1,278
Accruals and deferred income					78	26
Other creditors					55	63
					<u>        </u>	<u>        </u>
					<u>1,267</u>	<u>1,367</u>
<b>14. CREDITORS: amounts falling due after more than one year</b>					<b>2016</b>	<b>2015</b>
					<b>£000's</b>	<b>£000's</b>
Grant commitments					762	637
					<u>        </u>	<u>        </u>
<b>15. FUNDS ANALYSIS</b>	<b>Balance</b>	<b>Incoming</b>	<b>Outgoing</b>	<b>Transfers</b>	<b>Gains and</b>	<b>Balance</b>
	<b>Brought</b>	<b>Resources</b>	<b>Resources</b>		<b>Losses</b>	<b>Carried</b>
	<b>Forward</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>Forward</b>
	<b>£000's</b>					<b>£000's</b>
<b>Unrestricted funds</b>						
General reserves	648	1,886	(2,304)	-	-	230
Designated	10,665	-	-	-	1,021	11,686
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
	11,313	1,886	(2,304)	-	1,021	11,916
<b>Endowment funds</b>						
Expendable:						
Tote Sale Proceeds	69,626	-	(252)	-	6,668	76,042
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
<b>Total funds</b>	<u>80,939</u>	<u>1,886</u>	<u>(2,556)</u>	<u>-</u>	<u>7,689</u>	<u>87,958</u>

**THE RACING FOUNDATION**

**NOTES TO THE ACCOUNTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**15. FUNDS ANALYSIS (continued)**

**Unrestricted General Reserves**

The general reserve represents those unrestricted funds held by the charity which have not been designated for a specific purpose. These funds receive all endowment income and are held to cover grant expenditure and the ongoing costs of administering the charity.

**Unrestricted Designated – Tote Sale Proceeds**

The Tote Sale Proceeds designated fund was established to hold funds granted by the Department for Culture Media and Sport, where those funds were not restricted as expendable endowment. Although unrestricted, the trustees had chosen to designate these funds for long-term investment and treat them as an expendable endowment they only intend to spend the financial return generated by these funds.

**Expendable Endowment – Tote Sale Proceeds**

The Tote Sale Proceeds expendable endowment fund was established to hold funds granted by the Department for Culture Media and Sport, where those funds were deemed expendable endowment by the grantor. The trustees have chosen to utilise these funds for long-term investment and will only spend the financial return generated by these funds.

**16. NOTES TO THE CASH FLOW STATEMENT**

**2016**  
**£000's**

**2015**  
**£000's**

**(a) Reconciliation of net income to net cash inflow from operating activities:**

**Net income** (670) (780)

**Adjustments:**

Items not involving the movement of funds:

Depreciation charge 2 3  
Investment income receivable (1,886) (1,876)

Changes in working capital:

Decrease/(Increase) in debtors 66 (35)  
Increase in creditors 25 850

**Net cash inflow from operating activities** (2,463) (1,838)

**(b) Reconciliation of net cash flow to movement in net funds:**

(Decrease) in cash in the year 1,433 2,622

**Change in net funds** 1,433 2,622

**THE RACING FOUNDATION**

**NOTES TO THE ACCOUNTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**16. NOTES TO THE CASH FLOW STATEMENT (continued)**

(c) **Analysis of the change in net funds:**

	<b>1 Jan 2016</b> <b>£000's</b>	<b>Cash flow</b> <b>£000's</b>	<b>31 Dec 2016</b> <b>£000's</b>
<b>Net cash:</b>			
Cash at bank and in hand	4,443	1,433	5,877
	<u>4,443</u>	<u>1,433</u>	<u>5,877</u>
<b>Change in net funds</b>	<u><u>4,443</u></u>	<u><u>1,433</u></u>	<u><u>5,877</u></u>

**17. TRANSACTIONS WITH RELATED PARTIES**

During the year grants with a combined value of £125,000 (2015: £42,000) were awarded to Racing Welfare. The sole member of Racing Welfare is the Jockey Club. Sir Ian Good, Kirsten Rausing and William Rucker are trustees of the Racing Foundation and members of the Jockey Club.

In addition, payments amounting to £4,181 (2015: £0) were made to the Jockey Club for room hire and catering. At the year end the balance due to the Jockey Club was £0 (2015: £0).

During the year payments amounting to £1,140 (2015: £396) were made to the British Horseracing Authority for catering supplied during meetings and seminars held at the British Horseracing Authority's offices. The British Horseracing Authority is one of the three members of the Racing Foundation. At the year end the balance due to the British Horseracing Authority was £0 (2015: £0).

**18. ACTIVITIES BY FUND IN PREVIOUS YEAR**

Activities in both unrestricted and restricted funds for the previous year are as follows:-

	<b>Notes</b>	<b>Unrestricted</b> <b>funds</b> <b>£000's</b>	<b>Expendable</b> <b>endowment</b> <b>funds</b> <b>£000's</b>	<b>Total</b> <b>2015</b> <b>£000's</b>
<b>Income and endowments from:</b>				
Donations and legacies		-	-	-
Income from investments		1,876	-	1,876
		<u>1,876</u>	<u>-</u>	<u>1,876</u>
<b>Total income and endowments</b>	3	<u>1,876</u>	<u>-</u>	<u>1,876</u>
<b>Expenditure on:</b>				
Raising funds:				
Investment management costs		(50)	(240)	(290)
Charitable activities:				
Grant making		(2,366)	-	(2,366)
		<u>(2,416)</u>	<u>(240)</u>	<u>(2,656)</u>
<b>Total expenditure</b>	4	<u>(2,416)</u>	<u>(240)</u>	<u>(2,656)</u>
Net gains on investments		74	476	550
		<u>74</u>	<u>476</u>	<u>550</u>
<b>Net income / (expenditure)</b>		<u><u>(2,079)</u></u>	<u><u>1,849</u></u>	<u><u>(230)</u></u>

**THE RACING FOUNDATION**

**NOTES TO THE ACCOUNTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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<b>19. Net income/(expenditure) for the year</b>	<b>2016 £000's</b>	<b>2015 £000's</b>
This stated after charging:		
Depreciation	2	3
Auditors remuneration	15	10
	<u>          </u>	<u>          </u>