

THE  
**RACING**  
FOUNDATION

ANNUAL REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

Charity Registration Number: 1145297  
Company Registration Number: 07890908

# THE RACING FOUNDATION

## REFERENCE AND ADMINISTRATION DETAILS

FOR THE YEAR ENDED 31 DECEMBER 2012

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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

### Trustees

|                            |   |
|----------------------------|---|
| Roger Weatherby (Chairman) | - appointed 26 June 2012                            |
| Sir Ian Good               | - appointed 26 June 2012                            |
| Michael Harris             | - appointed 26 June 2012                            |
| Kirsten Rausing            | - appointed 26 June 2012                            |
| Stephen Atkin              | - appointed 22 December 2011, resigned 26 June 2012 |
| William Lambe              | - appointed 22 December 2011, resigned 26 June 2012 |
| Alan Morcombe              | - appointed 22 December 2011, resigned 26 June 2012 |

### Executive officer

Christopher Mills

### Independent auditor

haysmacintyre  
Fairfax House  
15 Fulwood Place  
London  
WC1V 6AY

### Bankers

Weatherbys Bank Ltd  
Sanders Road  
Wellingborough  
Northamptonshire  
NN8 4BX

### Investment managers

|                             |                         |                    |
|-----------------------------|-------------------------|--------------------|
| Cazenove Capital Management | James Hambro & Partners | Ruffer LLP         |
| 12 Moorgate                 | Ryder Court             | 80 Victoria Street |
| London                      | 14 Ryder Street         | London             |
| EC2R 6DA                    | London                  | SW1E 5JL           |
|                             | SW1Y 6QB                |                    |

## **THE RACING FOUNDATION**

### **TRUSTEES' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

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

##### *Governing Document*

The Racing Foundation was founded by 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 December 2011 and registered as a charity on 6<sup>th</sup> January 2012. 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. This Memorandum was amended by special resolution on 12<sup>th</sup> March 2013 to extend by three months the fixed term of office for the first Trustees.

The members of the Foundation comprise the British Horseracing Authority, the Racecourse Association and the Horsemen's Group. In the event of the company being wound up, members are required to contribute an amount not exceeding £1.

##### *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.

##### *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 Executive Officer.

##### *Risk Management*

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.
- The implementation of procedures to minimise any potential impact on the Foundation should those risks materialise.

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

#### **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.

## THE RACING FOUNDATION

### TRUSTEES' REPORT (continued)

#### FOR THE YEAR ENDED 31 DECEMBER 2012

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#### OBJECTIVES AND ACTIVITIES (continued)

For the avoidance of doubt, these purposes include but should not be limited to:

- a) the relief of poverty, sickness or injury among persons involved (or formerly involved) with the horseracing and Thoroughbred breeding industry and their families and dependents, and, in particular, the promotion of the welfare of those who have suffered injuries by reason of participation in such industry;
- b) the advancement of veterinary science in relation to horses;
- c) the protection and rehabilitation of equines; and,
- d) the promotion of education and training connected with the horseracing and Thoroughbred breeding industry and of standards in such education and training.

In furtherance of these objectives, the trustees have developed a strategic plan which provides a framework for how the Foundation will operate over the three-year period 2012-2015. 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 keys aims and objectives of the strategic plan are:

- 1) To develop grant-making policy and processes that are responsive to need:
  - a) Develop grant-making policy and processes that are responsive to the needs identified by applicant charities.
  - b) Implement and continuously review arrangements for the effective assessment of grant applications and decision-making.
- 2) To fund activities that make a difference:
  - a) Fund activities where it is clear that a grant from the Foundation will make a difference.
  - b) Support collaboration among organisations where it is appropriate.
  - c) Capture, share and apply learning from the activities we fund.
- 3) To manage resources effectively in support of the Foundation's objectives:
  - a) Establish and maintain effective systems of governance.
  - b) Create an appropriate investment portfolio to support our funding of both current and future generations.
  - c) Develop a web presence that supports the grant-making process and allows us to share the successes of the charities we fund.

#### *Grant Making Policy*

In pursuit of its first objective, the trustees have developed a grant making policy, with the aim of supporting charities in the following areas:

- 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).

## THE RACING FOUNDATION

### TRUSTEES' REPORT (continued)

#### FOR THE YEAR ENDED 31 DECEMBER 2012

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#### OBJECTIVES AND ACTIVITIES (continued)

##### *Grant Making Policy*

- Education, training and participation
  - The provision of education, training or retraining opportunities to disadvantaged individuals, currently or formerly employed in the horseracing industry.
  - The provision of work opportunities in the horseracing industry to unemployed people.
  - Enabling people, and especially young people, to participate in the sport of horseracing at an amateur level, including the training of amateur jockeys.
  
- 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)

*\* - The use of the phrase equine science is intended to allow flexibility to applicants across a broad range of equine related disciplines, including veterinary, biological science, non-biological science and technical interests, with the focus on the application of relevant equine related scientific and technical knowledge to benefit Thoroughbred horseracing.*
  
- 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.

The charity has identified particular areas where it is either legally unable or does not wish to fund activities. Where work falls into any of these categories organisations are not eligible for funding:

- Work that does not deliver benefits associated with the UK horseracing and Thoroughbred breeding industry.
- Grants to individuals or to causes that will benefit one person.
- The promotion of religion.
- Work that addresses gambling addiction (unless specifically focussed on participants within the horseracing and Thoroughbred breeding industry).
- Retrospective funding, meaning support for work that has already taken place.
- Work that is not legally charitable.

The Foundation expects to make the majority of its grants to charities with objects that are directly associated with the horseracing and Thoroughbred breeding industry. However, it may, on occasions, fund organisations that do not work exclusively within the horseracing and Thoroughbred breeding industry when the work is of exceptional quality and can be shown to directly impact industry participants.

##### **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 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.

## THE RACING FOUNDATION

### TRUSTEES' REPORT (continued)

#### FOR THE YEAR ENDED 31 DECEMBER 2012

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#### ACHIEVEMENTS AND PERFORMANCE

During its first year of operation, the Foundation made good progress in setting up policies and systems. This initial groundwork will allow it to begin grant-making in 2013. Details of our particular achievements under each strategic objective are listed below:

1) Developing grant-making policy and processes that are responsive to need:

- Established and published a grant-making policy.
- Developed an online grants application system, which is accessible and easy to use.
- Collaborated with the Horserace Betting Levy Board (HBLB) to agree procedures for the HBLB administering equine science research grant applications on behalf of the Foundation. This will mean the Foundation benefits from the considerable experience and expertise of the HBLB in funding equine science research.
- Held a launch seminar in October 2012 to inform key stakeholders and charities of the Foundation's strategy and grant application process. The seminar was attended by over 60 individuals and representatives from 20 racing charities.

2) Funding activities that make a difference:

- At the Foundation's launch seminar, considerable emphasis was placed on the key attributes that the Foundation will be looking for when considering grant applications. These included the importance of clear objectives, a collaborative approach, and capturing and sharing learning.
- The Foundation's first funding round closed on 7th December 2012 and the first grants were awarded in March 2013.

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

- The Foundation worked quickly in 2012 to establish key policies and procedures for the governance of the charity.
- The Foundation developed an investment policy and conducted a thorough investment manager selection process. Investment managers were appointed in September 2012 and the first funds transferred in October 2012.
- The Foundation established a presence on the internet at [www.racingfoundation.co.uk](http://www.racingfoundation.co.uk). As well as providing information on the grant application process, the website will also play an important role in communicating how the Foundation's grants have helped make a difference.

#### FINANCIAL REVIEW

During the year, the Racing Foundation received £19m from the Department for Culture Media and Sport. £10m was received in March 2012 and placed with investment managers during the year, with the aim of preserving the capital over the long term and generating investment income to fund grant-making activities. A further £9m was received in July 2012 and held on deposit at year end, pending transfer to investment managers in January 2013.

Income generated from bank deposits and investments amounted to £123,355 during the year. This helped fund expenditure of £51,669 incurred in establishing operating systems and administering the Foundation.

The Foundation's first investments were made in October 2012 and this allowed the Foundation to benefit from the rising stock markets over the last quarter of the year. As a result, by year end, the Foundation had accrued unrealised investment gains of £98,390.

Overall, at 31 December 2012, the Foundation's net funds stood at £19,170,076, comprising £73,700 in general reserves with other amounts held in designated or endowment funds.

#### RESERVES POLICY

The Foundation has adopted a policy of maintaining the long-term capital value of all receipts arising from the government's sale of the Tote and only spending the real 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 RACING FOUNDATION**

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

#### **FOR THE YEAR ENDED 31 DECEMBER 2012**

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#### **RESERVES POLICY (continued)**

During the year, the Foundation received £9m from the Department of Culture Media and Sport in the form of an expendable endowment and these funds are held separately in the accounts. The Foundation also received £10m from the Department of Culture Media and Sport which did not carry any restriction on use. Whilst this grant came without restriction, the trustees felt that it was important to treat this as contributing towards the long-term legacy of the Tote sale. The funds were therefore transferred into a designated fund with the aim of preserving the capital over the long term and only spending the real financial return. Thus both the endowment and the designated funds will be managed on exactly the same basis.

The Foundation also maintains a general reserve. This unrestricted fund is used to accumulate investment income prior to expenditure on charitable grants and costs associated with administering the Foundation. The Foundation has a policy of holding no more than one year's forward expenditure in this fund. As at 31<sup>st</sup> December 2012, the Foundation held general reserves of £73,700 which represents approximately 2 months budgeted expenditure for 2013.

#### **INVESTMENT POLICY**

The Foundation has adopted an investment policy, which applies to all monies held within the Tote sale proceeds expendable endowment and designated funds. 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. The trustees have set an initial annual expenditure budget, equivalent to at least 4% of the investment asset value, and will require the investment portfolio to support this (after all costs). The trustees have therefore adopted a benchmark of inflation (as measured by the Consumer Prices Index) plus 4% per annum, in the medium to long term after all costs.

During the year, the Foundation appointed three investment managers. Cazenove Capital Management was appointed as the main investment manager, with smaller additional sums invested with James Hambro & Partners and Ruffer. The performance of these investment managers is closely monitored by the trustees.

#### **PLANS FOR THE FUTURE PERIODS**

Further to the preparatory work undertaken in 2012, the Foundation will pursue its strategic objectives in earnest in 2013 and will make its first charitable grants. Based on cash flow projections, the Foundation anticipates paying out approximately £400,000 in 2013, £700,000 in 2014 and £1,000,000 in 2015.

Forecast grant payments are dependent on future income receipts from the Department for Culture Media and Sport. In this regard, the Foundation anticipates receiving at least £8m in 2013 and £8m in 2014. These sums will be invested in accordance with the investment policy noted above and will generate investment income to sustain the growth in grant expenditure.

#### **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 RACING FOUNDATION**

**TRUSTEES' REPORT (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

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**TRUSTEES' RESPONSIBILITIES STATEMENT (continued)**

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 (2005). 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.

**DECLARATION**

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

Signed on behalf of the charity's trustees

A handwritten signature in black ink, appearing to read 'R Weatherby', with a long horizontal flourish extending to the right.

Roger Weatherby  
Chairman of the Trustees

3 July 2013



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RACING FOUNDATION

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We have audited the financial statements of The Racing Foundation for the year ended 31 December 2012 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. 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).

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 Auditors' 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 its members, as a body, for our audit work, for this report, or for the opinion we have formed.

### Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 8, 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 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 charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

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 2012 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.

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

In our opinion the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime.

  
Jeremy Beard, Senior Statutory Auditor  
for and on behalf of Haysmacintyre

Fairfax House  
15 Fulwood Place  
London  
WC1V 6AY

Date: 3/7/2013.

**THE RACING FOUNDATION**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

|  | Notes    | Unrestricted<br>funds<br>£ | Expendable<br>endowment funds<br>£ | Total<br>2012<br>£ |
|--|----------|----------------------------|------------------------------------|--------------------|
| <b>Incoming resources</b>  |          |                            |                                    |                    |
| Incoming resources from generated funds                              |          |                            |                                    |                    |
| Voluntary income   |          | 10,000,000                 | 9,000,000                          | 19,000,000         |
| Investment income  |          | 123,355                    | -                                  | 123,355            |
| <b>Total incoming resources</b>                                      | <b>3</b> | <b>10,123,355</b>          | <b>9,000,000</b>                   | <b>19,123,355</b>  |
| <b>Resources expended</b>  |          |                            |                                    |                    |
| Cost of generating funds   |          |                            |                                    |                    |
| Investment management costs  |          | (15,923)                   | (954)                              | (16,877)           |
| Charitable activities  |          |                            |                                    |                    |
| Grant making   |          | (22,915)                   | -                                  | (22,915)           |
| Governance costs   |          |                            |                                    |                    |
|  |          | (11,877)                   | -                                  | (11,877)           |
| <b>Total resources expended</b>                                      | <b>4</b> | <b>(50,715)</b>            | <b>(954)</b>                       | <b>(51,669)</b>    |
| <b>Net incoming resources before other recognised gains/(losses)</b> |          | <b>10,072,640</b>          | <b>8,999,046</b>                   | <b>19,071,686</b>  |
| <b>Other recognised gains/(losses)</b>                               |          |                            |                                    |                    |
| Gains and losses on investment assets                                |          | 51,784                     | 46,606                             | 98,390             |
| <b>Net movement in funds</b>   |          | <b>10,124,424</b>          | <b>9,045,652</b>                   | <b>19,170,076</b>  |
| <b>Total funds brought forward</b>                                   |          | <b>-</b>                   | <b>-</b>                           | <b>-</b>           |
| <b>Total funds carried forward</b>                                   |          | <b>10,124,424</b>          | <b>9,045,652</b>                   | <b>19,170,076</b>  |

No comparative numbers are presented as 2012 was the Foundation's first financial year since incorporation.

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

The notes on pages 11 to 15 form part of these financial statements.

**THE RACING FOUNDATION**

**BALANCE SHEET**

**AS AT 31 DECEMBER 2012**

|   | Notes | Unrestricted<br>funds<br>£ | Endowment<br>funds<br>£ | Total<br>2012<br>£ |
|---|-------|----------------------------|-------------------------|--------------------|
| <b>Fixed Assets</b>                                   |       |                            |                         |                    |
| Tangible assets                                       | 8     | 7,439                      | -                       | 7,439              |
| Investments   | 9     | 3,549,033                  | 3,194,130               | 6,743,163          |
| <b>Total fixed assets</b>                             |       | <u>3,556,472</u>           | <u>3,194,130</u>        | <u>6,750,602</u>   |
| <b>Current assets</b>                                 |       |                            |                         |                    |
| Debtors   | 10    | 40,950                     | -                       | 40,950             |
| Cash at bank & in hand                                | 11    | 6,546,239                  | 5,852,476               | 12,398,715         |
| <b>Total current assets</b>                           |       | <u>6,587,189</u>           | <u>5,852,476</u>        | <u>12,439,665</u>  |
| <b>Creditors: amounts falling due within one year</b> | 12    | <u>(19,237)</u>            | <u>(954)</u>            | <u>(20,191)</u>    |
| <b>Net current assets</b>                             |       | <u>6,567,952</u>           | <u>5,851,522</u>        | <u>12,419,474</u>  |
| <b>Net assets</b>                                     |       | <u>10,124,424</u>          | <u>9,045,652</u>        | <u>19,170,076</u>  |
| <b>Funds of the charity</b>                           |       |                            |                         |                    |
| Unrestricted funds                                    |       | 10,124,424                 | -                       | 10,124,424         |
| Endowment funds                                       |       | -                          | 9,045,652               | 9,045,652          |
| <b>Total funds</b>                                    | 13    | <u>10,124,424</u>          | <u>9,045,652</u>        | <u>19,170,076</u>  |

These financial statements were approved and authorised for issue by the Trustees on 3<sup>rd</sup> July 2013 and were signed on their behalf by:



Roger Weatherby  
Chairman of the Trustees

The notes on pages 11 to 15 form part of these financial statements.

# THE RACING FOUNDATION

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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### 1. BASIS OF PREPARATION

#### 1.1 Basis of accounting

These accounts have been prepared on the basis of historic cost (except that investments are shown at market value) in accordance with Accounting and Reporting by Charities – Statement of Recommended Practice (SORP 2005), Accounting Standards and the Companies Act 2006.

#### 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.

Investment income is included in the accounts when receivable.

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

Liabilities are recognised as soon as there is a legal or constructive obligation committing the charity to pay out resources.

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 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 provided the specified service or output.

Grants payable without performance conditions are 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 include central functions and have been allocated to activity cost categories on a basis consistent with the use of staff time and resources.

**THE RACING FOUNDATION**

**NOTES TO THE ACCOUNTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 20123**

**2 ACCOUNTING POLICIES (continued)**

**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 £500. 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 quoted on a recognised stock exchange are valued at market value at the year-end. Other investment assets are included at trustees' best estimate of market value.

| <b>3. ANALYSIS OF INCOMING RESOURCES</b>               | <b>2012</b>       |
|--|-------------------|
|  | <b>£</b>          |
| <b>Voluntary income</b>                                |                   |
| Grants from the Department for Culture Media and Sport | 19,000,000        |
|  | <hr/>             |
| <b>Investment income</b>                               |                   |
| Dividends receivable                                   | 1,810             |
| Bank interest  | 121,545           |
|  | <hr/>             |
|  | 123,355           |
|  | <hr/>             |
| <b>Total</b>   | <b>19,123,355</b> |
|  | <hr/> <hr/>       |
| <b>4. ANALYSIS OF RESOURCES EXPENDED</b>               | <b>2012</b>       |
|  | <b>£</b>          |
| <b>Cost of generating funds</b>                        |                   |
| Investment management costs                            | 2,013             |
| Independent investment advice                          | 12,000            |
| Support costs (see note 5)                             | 2,864             |
|  | <hr/>             |
|  | 16,877            |
| <b>Charitable activity: grant making</b>               |                   |
| Grants payable   | -                 |
| Support costs (see note 5)                             | 22,915            |
|  | <hr/>             |
|  | 22,915            |
| <b>Governance</b>                                      |                   |
| Auditor's fee  | 6,000             |
| Legal advice   | 3,013             |
| Support costs (see note 5)                             | 2,864             |
|  | <hr/>             |
|  | 11,877            |
|  | <hr/>             |
| <b>Total</b>   | <b>51,669</b>     |
|  | <hr/> <hr/>       |

Although no grants were made during the year, support costs have been allocated to grant-making to reflect the cost of setting up grant-making application and assessment systems. This will allow grant making to commence in 2013.

**THE RACING FOUNDATION**

**NOTES TO THE ACCOUNTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 20123**

| 5. SUPPORT COSTS            | Generating<br>funds<br>£ | Grant making<br>£ | Governance<br>£ | Total<br>£    |
|-----------------------------|--------------------------|-------------------|-----------------|---------------|
| Management & administration | 2,239                    | 17,907            | 2,239           | 22,385        |
| Website and communications  | 429                      | 3,437             | 429             | 4,295         |
| Information technology      | 196                      | 1,571             | 19              | 1,963         |
|                             | <u>2,864</u>             | <u>22,915</u>     | <u>2,864</u>    | <u>28,643</u> |

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

**6. TRUSTEE REMUNERATION AND EXPENSES**

No remuneration or out-of-pocket expenses were paid to trustees during the year.

**7. STAFF COSTS**

|   | 2012<br>£     |
|---|---------------|
| Gross wages                                 | 14,615        |
| Employer's national insurance contributions | 1,586         |
| Pension costs                               | 750           |
| Other benefits                              | 154           |
| <b>Total staff costs</b>                    | <u>17,105</u> |

The charity has one employee who is employed on a part-time basis.

There were no employees whose emoluments exceeded £60,000.

**8. TANGIBLE FIXED ASSETS**

|                                  | Office<br>Equipment<br>£ | Total<br>£   |
|----------------------------------|--------------------------|--------------|
| <b>Cost</b>                      |                          |              |
| Balance brought forward          | -                        | -            |
| Additions                        | 8,115                    | 8,115        |
| Balance carried forward          | <u>8,115</u>             | <u>8,115</u> |
| <b>Depreciation</b>              |                          |              |
| Balance brought forward          | -                        | -            |
| Depreciation charge for the year | 676                      | 676          |
| Balance carried forward          | <u>676</u>               | <u>676</u>   |
| <b>Net book value</b>            |                          |              |
| Balance brought forward          | -                        | -            |
| Balance carried forward          | <u>7,439</u>             | <u>7,439</u> |

**THE RACING FOUNDATION**

**NOTES TO THE ACCOUNTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 20123**

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|   |                  |
|---|------------------|
| <b>9. FIXED ASSETS INVESTMENTS</b>  | <b>2012</b>      |
|   | <b>£</b>         |
| Additions   | 6,644,773        |
| Investment gains/(losses)   | 98,390           |
|   | <hr/>            |
| Carrying market value at end of year  | 6,743,163        |
|   | <hr/>            |
| <b>Historical cost at end of year</b>   | <b>6,644,773</b> |
|   | <hr/> <hr/>      |
| <br><b>Analysis of investments (at market value)</b>  | <br><b>£</b>     |
| Listed investments:   |                  |
| Fixed interest securities   | 46,567           |
| Common investment funds, investment trusts & unit trusts                                    | 6,696,596        |
|   | <hr/>            |
| Carrying market value at end of year  | 6,743,163        |
|   | <hr/> <hr/>      |
| <br>All investments held by the Foundation are registered on recognised UK stock exchanges. |                  |
| <br><b>Material investment holdings (at market value)</b>                                   |                  |
| The following investments represent more than 5% of the value of total investments:         |                  |
|   | <b>£</b>         |
| CF Ruffer Absolute Return Fund  | 1,060,898        |
| Black Rock Sterling Liquidity Fund  | 500,000          |
| Western Asset Sterling Liquidity Fund   | 500,000          |
| Cazenove Equity Income Trust for Charities  | 331,255          |
|   | <hr/> <hr/>      |
| <b>10. DEBTORS</b>  | <b>2012</b>      |
|   | <b>£</b>         |
| Prepayments and accrued income  | 40,950           |
|   | <hr/> <hr/>      |
| <b>11. CASH AT BANK</b>   | <b>2012</b>      |
|   | <b>£</b>         |
| Cash on deposit with investment managers  | 3,356,548        |
| Cash on bank deposit  | 8,979,897        |
| Current account   | 62,360           |
|   | <hr/>            |
|   | 12,398,715       |
|   | <hr/> <hr/>      |

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 20123

|            |   |             |
|------------|---|-------------|
| <b>12.</b> | <b>CREDITORS: amounts falling due within one year</b> | <b>2012</b> |
|            |   | <b>£</b>    |
|            | Trade creditors                                       | 14,191      |
|            | Accruals and deferred income                          | 6,000       |
|            |   | 20,191      |
|            |   | 20,191      |

|            |                           |                                |                           |                           |                  |                         |                                |
|------------|---------------------------|--------------------------------|---------------------------|---------------------------|------------------|-------------------------|--------------------------------|
| <b>13.</b> | <b>FUNDS ANALYSIS</b>     | <b>Balance Brought Forward</b> | <b>Incoming Resources</b> | <b>Outgoing Resources</b> | <b>Transfers</b> | <b>Gains and Losses</b> | <b>Balance Carried Forward</b> |
|            |                           | £                              | £                         | £                         | £                | £                       | £                              |
|            | <b>Unrestricted funds</b> |                                |                           |                           |                  |                         |                                |
|            | General reserves          | -                              | 10,123,355                | (49,655)                  | (10,000,000)     | -                       | 73,700                         |
|            | Designated:               |                                |                           |                           |                  |                         |                                |
|            | Tote Sale Proceeds        | -                              | -                         | (1,060)                   | 10,000,000       | 51,784                  | 10,050,724                     |
|            |                           | -                              | 10,123,355                | (50,715)                  | -                | 51,784                  | 10,124,424                     |
|            | <b>Endowment funds</b>    |                                |                           |                           |                  |                         |                                |
|            | Expendable:               |                                |                           |                           |                  |                         |                                |
|            | Tote Sale Proceeds        | -                              | 9,000,000                 | (954)                     | -                | 46,606                  | 9,045,652                      |
|            | <b>Total funds</b>        | -                              | 19,123,355                | (51,669)                  | -                | 98,390                  | 19,170,076                     |

**General Reserves**

The general fund represents those unrestricted funds held by the charity which have not been designated for a specific purpose. These funds are held to cover grant expenditure and the ongoing costs of administering the charity. During the year, £10,000,000 was transferred out of general reserves and into a designated fund.

**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. Although unrestricted, the trustees have chosen to designate these funds for long-term investment and only intend to spend the real financial return generated by these funds. During the year, £10,000,000 was transferred into the fund from general reserves.

**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 real financial return generated by these funds.

**14 TRANSACTIONS WITH RELATED PARTIES**

During the year payments amounting to £12,125 were paid to Weatherbys Bank Limited (£12,000 for investment advice and £125 in bank charges). Roger Weatherby is Chief Executive of Weatherbys Bank and also a Trustee of the Racing Foundation. At the year end the balance due to Weatherbys Bank is £12,000.

During the year £1,740 was paid to Weatherbys Thoroughbred Limited for website design. Roger Weatherby has a shareholding in Weatherbys Thoroughbred Limited. At the year end the balance due to Weatherbys Thoroughbred Limited is nil.