

THE
RACING
FOUNDATION

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Charity Registration Number: 1145297
Company Registration Number: 07890908

THE RACING FOUNDATION
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THE RACING FOUNDATION

REFERENCE AND ADMINISTRATION DETAILS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Ian Barlow

Jane Keir (term ended 31st December 2019)

William Rucker

Mark Johnston

Linda Bowles

Susannah Gill

Louise Kemble (term commenced 1st January 2020)

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

(ended 1st October
2019)

Sarasin & Partners LLP

Juxon House

100 St Paul's Churchyard

London

EC4M 8BU

THE RACING FOUNDATION

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Trustees are pleased to present their annual directors report together with the financial statements of the charity for the year ending 31 December 2019 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 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'). To avoid State Aid rules, it was required to be established as a registered charity with objects to provide funding to charities working in UK Racing.

The Racing Foundation is constituted as a company limited by guarantee, incorporated on 22nd December 2011 and registered as a charity on 6th 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.

The Racing Foundation amended its Articles of association in the year, with approval from the Charities Commission and its Members to allow it to make grants for the furtherance of its purposes to non-charitable bodies providing they are for charitable purposes. Previously it was restricted to giving solely to charities.

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 extension of existing Trustees, the appointment of new Trustees and the amendment of the Articles of Association. The Foundation engages with senior management and staff at the Member organisations to ensure it has a broad understanding of the industry and to provide greater detail and understanding on key issues.

Pay policy for senior staff

Staff remuneration is reviewed annually at the year-end by the Chair and any changes are proposed to the Trustees for approval. During January 2019 Trustees approved an increase in salaries for the year.

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.

Jane Keir ended her extended term as a Trustee on the 31st December 2019. Louise Kemble was appointed to replace Jane Keir from the 1st January 2020.

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

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 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.

2019 was the second year of implementation of the Foundations strategy for 2018-2020, the strategy commits the foundation to:

- A spend of up to £10m over the period plus loan capital for relevant industry projects
- Alignment with industry strategies
- A concentration on people and horses
- Our own measurable improvement
- Increased responsibility for results

The approved strategy documents the Foundation's purpose, ambitions and activity for the next three years.

The Foundation's purpose is defined as:

- We exist to make a difference in racing by acting as a catalyst and a funder for improvement.

The Foundation's ambitions will be to:

- We will invest in the industry's people agenda to attract, develop and retain more staff.
- We will invest in the industry's equine agenda on welfare and research.
- We will challenge, collaborate with and support our charity and industry partners to improve the industry.
- We will be flexible and respond to any emerging needs if required.

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

The Foundation's activity will involve:

- Grant and loan funding
- Supporting the charity sector
- Ensuring delivery of our own processes and governance

STRATEGIC REPORT

Covid-19

The Annual Report and Accounts have been prepared and audited prior to the covid-19 situations rapid development in the UK and globally. The disease and the global response to it may have far-reaching consequences that nobody can possibly predict at this time. The racing industry will face economic, human and equine impacts the materiality of which will depend on how the situation is managed by both Government and the racing industry.

The Foundation stands ready to support the industry and its participants, human and equine during these difficult times. We are and will continue to support the wider industry efforts to manage the situation. Volatility on the markets has adversely impacted the current level of our investments which were valued at £77.5m as at the 26th March 2020 (£86.3m 31st December 2019) and we are yet to gain clarity on the demand for our giving and so the impact on our policies and strategies moving forward is as yet unclear.

It is therefore opportune that we are due to create a new strategy in 2020 for the next three years and we will reflect the impact of the on-going situation into that strategy and our associated activities moving forward.

Grant Making Policy

The Foundation may only make grants for charitable purposes to organisations which have been established in the UK or to other bodies for charitable purposes.

The Trustees of the Foundation ensure that the 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.

In the short-term considerable resources are being applied to assisting the industry during the period affected by the COVID crisis within our charitable remit.

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

STRATEGIC REPORT (continued)

therefore, satisfied that the Foundation meets the Charity Commission's public benefit test. Details of the Foundation's achievements and performance in 2019 against the 2019-2020 strategic plan are listed below:

Achievements and Performance

A strategy dashboard reports on the key commitments made by the Foundation; these are to speed up funds flowing into the industry, narrow the focus of the grants made and aligning with industry strategy as well as the types of grants made and the nature and number of the beneficiaries.

- Speeding up funds flow has been delivered with £4.9m (2018: £6.01m) of grants awarded in the year. The Foundation has met its 3-year grant target of £10m of which £3.8m covers activity in periods beyond 2020.
- In 2019 the focus on people is clearly demonstrated with 86% (2018: 91%) of grant funding being awarded to people projects; only 8% (2018: 5%) was committed on equine projects. largely because we await plans to implement the industry's new equine welfare strategy which in turn will determine where we should best allocate resources.

The wish to see grants awarded being aligned with industry strategy was a key a message received from stakeholders. In the year 73% of grants were aligned with industry strategy, 24% were endorsed by key industry bodies even though no clear strategy yet existed and 3% of grants had no direct industry strategy alignment. The following types of grant were awarded in the year:

Continuity funding	5
Core activity	9
New projects	9
Research projects	4
Capital Development	2

- The analysis of grant beneficiaries is as follows:

Type of beneficiary	Number of grants	Total beneficiaries covered by the grant
Trainers	1	18
Jockeys	2	250
Stud and Stable staff	7	10,268
Retired racehorses	3	1,700
Horses in training	4	15,000
Other	12	Not definable

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

STRATEGIC REPORT (continued)

Achievements and Performance (continued)

The Foundation continues to engage with Racing Charities more generally to support their work.

- 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 a number of events including the Racing Industry Conference and a stakeholder event focusing on community engagement and education. Membership for all racing charities of the National Council for Voluntary Organisations (NCVO) was continued.

We continue to ensure the effective delivery of our own processes and governance.

- The Foundation seeks to maintain effective systems of governance. Four board meetings were held during 2019 and three Small Grants Committee meetings were held during 2019 with a 93% attendance record from Trustees (97% 2018).
- 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 gains of £10.25m were recorded. Cumulatively, since inception, in 2012, investment returns have exceeded the targets set by Trustees by approximately 25%. This outperformance has reduced since the year end due to the corrections in financial markets caused by the COVID-19 crisis but still have exceeded our benchmark of CPI + 3% since inception.
- Support costs, management and administration were 3.7% (2018: 3%) of total resources expended. This reflects the reduced levels of giving while maintaining the existing cost structure.
- The Foundation maintains a presence on the internet at 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 uses a revised Twitter handle: @racinggrants to provide grant alerts and updates on the charities and projects it supports. An increased focus on communications has occurred during the year and additional events have been held.

The Foundation delivered positively against its strategy in 2019 supporting 29 bids with 23 beneficiaries and £4,905k of grants, providing opportunities for racing charities to network and develop and effectively managing its own resources.

RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 £2.3m (2018: £2.1m). Investment gains of £10.25m (2018: £5.4m loss) occurred.

Expenditure totalled £5.3m (2018: £6.4m), including grants of £4.9m (2018: £6.0m). This figure represents the value of grants awarded at the date Trustees approved them. Many awards are multi-year in nature despite the full cost being recognised in 2019 and in cash terms will be funded out of future income.

Overall, as at 31 December 2019 the Foundation's net funds stood at £89.7m (2018: £82.4m). This outperformance has reduced since the year but has still exceeded our benchmark of CPI + 3% since inception.

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.

Trustees have assessed going concern in light of the ongoing impact of Covid-19 and the trustees do not see it as an issue to affect the going concern status of the charity

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, James Hambro and Partners and Sarasin and Partners LLP, (added in 2016) are the main investment managers, with a smaller additional sum invested with Ruffer. The performance of these investment managers is closely monitored by the Trustees, with the assistance of a specialist independent investment advisor who also advises Trustees on reviewing and updating the investment policy. In the year, based on performance, funds were removed from Ruffer (1st October 2109) and distributed between the other investment managers.

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

STRATEGIC REPORT (continued)

Performance

The overall performance of investment managers exceeded the targets set for the year. Trustees expected performance to reflect a net increase (in capital value and the generation of investment income) of CPI plus 3% which equated to 4.3% in 2019. Actual performances were:

Manager	2019 target	2019 actual	Target from inception	Actual from inception
James Hambro	4.3%	14.6%	38.3%	80.2%
Cazenove	4.3%	14.0%	38.3%	60.0%
Ruffer	4.3%	8.2%	38.3%	39.8%
Sarasin	4.3%	19.9%	22.5%	34.4%

This resulted in a gain on investments of £10.25m in the year. The Foundation investments are made for the long-term in line with our investment policy, based on the professional advice we source. It is inevitable that market fluctuations will have an adverse impact on the value of our investments at certain times and indeed this has happened since the year end due to the COVID-19 crisis.

Plans for future Periods

Trustees have approved a business plan and budget for 2020. The Foundation's activity will involve:

Grant and loan funding:

- Three full grant and three small grant rounds will be run in the year
- We will continue to examine the practicality of using our balance sheet to support the sport
- We will work with industry colleagues to help inform, produce and deliver industry strategies
- We will work alongside Racing Welfare on the well-being agenda to both advance the work and seek sustainable funding sources
- Work in partnership with the Levy Board and others to refine the systems around thoroughbred research

Supporting the charity sector:

- We will support Scottish Racing to deliver their education project
- We will contribute to the development of activities included in the equine welfare strategy with a focus on the re-homing and re-training elements
- Help to develop the capacity and capability of the sector through a review of governance and delivery of a leadership development programme
- Establish a funders network and seek to leverage additional funding for the industry

Ensuring delivery of our own processes and governance:

- Develop our strategy for the next 3 years, focusing on key challenges facing the industry
- Continue the work of the scrutiny panel to gather feedback from charities and industry stakeholders
- Develop an event strategy to assist in supporting the industry and in delivering greater awareness of our work

The activity will contribute towards the delivery of our strategy which is available to view in full at www.racingfoundation.co.uk and the development of our next strategy 2021-2023. This will also take into account our immediate crisis support work and its effect on our overall resources.

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

Principal Risks and Uncertainties

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

Risk description	Risk mitigation
<i>Stock market volatility:</i> Market volatility may impact upon both levels of investment income generated and the real value of the funds held.	The Trustees have consulted widely and taken advice during on their investment policy and approach. Managers performance continues to be closely monitored and Trustees have independent advisors who attend all meetings to advise them. Funds were removed from Ruffer during the year.
<i>Lack of continuity and infrastructure:</i> The need to replace Trustees and the small staff numbers threaten continuity.	A new Trustee was appointed at the start of 2020. Additional staffing resources have been used to support a number of projects in-year.
<i>Industry alignment:</i> The Trustees decisions on priorities for use the funds may be questioned by industry stakeholders	The Trustees and staff continue to engage widely with stakeholders to inform activities and strategy. The extension of the Articles and progress in delivering the wider strategy have been widely supported. The Foundation adopts an approach that sees it align clearly with industry issues and not individual organisations within the industry.
<i>IT fraud, cyber-attack:</i> The general levels of IT fraud have escalated however no attacks have taken place in year.	The Trustees are satisfied that the current procedures protect them as far as is reasonable.

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

- A quarterly review to identify the risks the Foundation may face.
- The establishment of systems and procedures to mitigate those risks.

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

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;

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

- 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 (2016). 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
Chairman of the Trustees

8th April 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RACING FOUNDATION FOR THE YEAR ENDED 31 DECEMBER 2019

Opinion

We have audited the financial statements of The Racing Foundation (the 'charitable company') for the year ended 31 December 2019 which comprise 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, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report, which includes the Directors' Report and the Strategic Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and the Strategic Report included within the Trustees' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RACING FOUNDATION FOR THE YEAR ENDED 31 DECEMBER 2019

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 material misstatements in the Directors' Report or the Strategic Report included within the Trustees' 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.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' responsibilities (set out on page 11 and 12) 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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

8th April 2020

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 2019

	Notes	Unrestricted funds £000s	Expendable endowment funds £000s	Total 2019 £000s	Total 2018 £000s
Income and endowments from:					
Donations and legacies		-	-	-	-
Income from investments		2,300	-	2,300	2,068
Total income and endowments	3	2,300	-	2,300	2,068
Expenditure from:					
Raising funds:					
Investment management costs		-	(128)	(128)	(175)
Charitable activities:					
Grant making		(5,194)	-	(5,194)	(6,232)
Total expenditure	4	(5,194)	(128)	(5,322)	(6,407)
Net (expenditure)/income		(2,894)	(128)	(3,022)	(4,339)
Net gains/(losses) on investments		1,363	8,883	10,246	(5,400)
Transfers between funds		-	-	-	-
Net movement in funds		(1,531)	8,755	7,224	(9,739)
Total funds brought forward		14,359	68,086	82,445	92,184
Total funds carried forward		12,828	76,841	89,669	82,445

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

The notes on pages 17 to 26 form part of these financial statements

THE RACING FOUNDATION

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	Unrestricted funds £000s	Expendable endowment funds £000s	Total 2019 £000s	Total 2018 £000s
Fixed Assets					
Tangible assets	9	-	-	-	
Investments	10	12,563	73,744	86,307	77,313
Total fixed asset		<u>12,563</u>	<u>73,744</u>	<u>86,307</u>	<u>77,313</u>
Current assets					
Debtors	11	23	-	23	15
Cash at bank and in hand	12	8,473	3,097	11,570	11,930
Total current assets		<u>8,496</u>	<u>3,097</u>	<u>11,593</u>	<u>11,945</u>
Creditors: amounts falling due within one year	13	<u>(4,265)</u>	<u>-</u>	<u>(4,265)</u>	<u>(3,519)</u>
Net current assets		<u>4,231</u>	<u>3,097</u>	<u>7,328</u>	<u>8,426</u>
Creditors: amounts falling due after one year	14	<u>(3,966)</u>	<u>-</u>	<u>(3,966)</u>	<u>(3,294)</u>
Net assets		<u>12,828</u>	<u>76,841</u>	<u>89,669</u>	<u>82,445</u>
Funds of the charity					
Unrestricted funds - general		12,828	-	12,828	3,865
- designated		-	76,841	76,841	10,494
Endowment funds		-	-	-	68,086
Total funds	15	<u>12,828</u>	<u>76,841</u>	<u>89,669</u>	<u>82,445</u>

These financial statements were approved and authorised for issue by the Trustees on 8th April 2020 and were signed on their behalf by:

Ian Barlow
Chairman of the Trustees

The notes on pages 17 to 26 form part of these financial statements.

THE RACING FOUNDATION

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Total 2019 £000s	Total 2018 £000s
Cash flows from operating activities	16a	<u>(3,912)</u>	<u>(2,831)</u>
Cash flows from investing activities			
Investment income received		2,300	2,068
Proceeds from sale of investments		29,921	10,951
Payments to acquire investment assets		(28,669)	(11,716)
Payments to acquire tangible fixed assets		<u>-</u>	<u>-</u>
Net cash used in investing activities		<u>3,552</u>	<u>1,303</u>
Change in cash and cash equivalents in the reporting period	16b	<u>(360)</u>	<u>(1,529)</u>

The notes on pages 17 to 26 form part of these financial statements.

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 are prepared in sterling, which is the functional currency of the Charity. Monetary amounts in these financial statements are rounded to the nearest £'000 unless otherwise stated.

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.

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

2 ACCOUNTING POLICIES (continued)

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 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.

2.7 Investment Policy

The investment policy applies to all monies held within the expendable endowment fund and the designated fund. Investments are stated at market value at the balance sheet date, the cost of investments includes commission paid to the investment managers. The SOFA includes the net gains and losses arising on revaluations and disposals throughout the year. Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling at the balance sheet date. Exchange gains and losses arising on translation are included as part of the change of market value in the investments.

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

3. ANALYSIS OF INCOMING RESOURCES	2019	2018
	£000s	£000s
Investment income		
Dividends receivable	2,238	2,052
Bank interest	62	16
Total	2,300	2,068
4. ANALYSIS OF RESOURCES EXPENDED	2019	2018
	£000s	£000s
Cost of generating funds		
Investment management fees	100	148
Independent investment advice	28	27
	128	175
Charitable activity: grant making		
Grants payable (see note 5)	4,905	6,012
Other charitable activity	76	14
Support costs (see note 6)	197	190
Governance - Auditor's fee	16	15
Governance - Trustees expenses	-	1
	5,194	6,232
Total	5,322	6,407

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

5. GRANT EXPENDITURE	2019	2018
	£000	£000
Social Welfare:		
Horseback UK	9	-
Diversity in racing	275	-
University of Bath	186	-
Great British Racing	50	-
Go racing in Yorkshire	44	-
Women in racing	20	-
Arabian racing	182	-
PJA, JETS, IJF	2,230	-
Racehorse Owners Association	10	-
Spinal Injuries Association	-	2
Racing Welfare	80	3,983
Racing Centre	156	154
Imperial College London	-	240
Inspire Foundation	-	18
British Racing School	-	10
Liverpool John Moores University	-	185
Manchester Metropolitan University	-	2
	<hr/>	<hr/>
	3,242	4,594
Education, Training and Participation:		
National Horseracing College (Formerly, Northern Racing College)	243	20
British Racing School	10	10
Greatwood Charity	-	10
University of Liverpool	-	88
HEROS	-	112
Pony Club	-	10
Thoroughbred Breeders Association	570	12
Racing to School	-	161
Writtle University College	46	-
Abingdon and Witney College	-	(30)
Active Communities Network	-	83
Ebony Horse Club	-	20
Resume Foundation	-	200
Scottish Racing	120	178
Queen Margarete University	-	10
Hartbury College	-	5
	<hr/>	<hr/>
	989	889
Equine Science Research:		
Horserace Betting Levy Board	210	150
	<hr/>	<hr/>
	210	150
Thoroughbred Horse Welfare:		
Retraining of Racehorses	48	36
Thoroughbred Health Network	-	21
Racehorse Rescue Centre	20	2
British Thoroughbred Rehabilitation Centre	-	25
The Royal Veterinary College	50	-
Aintree Racecourse Charitable Trust	20	-
Animal Health Trust	26	-
RSPCA	-	5
New Beginnings	-	40
	<hr/>	<hr/>
	164	129
Heritage and Culture:		
National Horseracing Museum	300	250
	<hr/>	<hr/>
	300	250
	<hr/>	<hr/>
Total grant expenditure	4,905	6,012

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

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

6. SUPPORT COSTS

	Grant making £000s	Total £000s
Management & administration	143	143
Website, IT and communications	17	17
Travel and general office expenses	37	37
	<u>197</u>	<u>197</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 £138 (2018:£656) 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 (2018: 3).

8. STAFF COSTS

	2019 £000s	2018 £000s
Gross wages	115	111
Employer's national insurance contributions	14	13
Pension costs	12	11
Total staff costs	<u>141</u>	<u>135</u>

2 employees were employed by the company during the year (2018: 2)

Key staff incurred total remuneration costs of £141k during the year (2018: £135k).

1 employee earned between £75-£85k during the period (2018: 1).

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

9. TANGIBLE FIXED ASSETS	Office Equipment £000s	Total £000s
Cost		
Balance brought forward	11	11
Additions	-	-
Balance carried forward	<u>11</u>	<u>11</u>
Depreciation		
Balance brought forward	11	11
Depreciation charge for the year	-	-
Balance carried forward	<u>11</u>	<u>11</u>
Net book value		
Balance brought forward	-	-
Balance carried forward	<u>-</u>	<u>-</u>
10. FIXED ASSETS INVESTMENTS	2019 £000s	2018 £000s
Carrying market value at the beginning of the year	77,313	81,948
Additions to investments at cost	28,669	11,716
Disposals at carrying value	(29,921)	(10,951)
Investment gains/(losses)	10,246	(5,400)
Carrying market value at end of year	<u>86,307</u>	<u>77,313</u>
Historical cost at end of year	<u>74,646</u>	<u>71,195</u>
Analysis of investments (at market value)	£000s	£000s
Listed investments:		
Fixed interest securities	11,622	16,132
Equity shares	62,114	49,290
Common investment funds, investment trusts & unit trusts	<u>12,571</u>	<u>11,891</u>
Carrying market value at end of year	<u>86,307</u>	<u>77,313</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:		
	£000s	£000s
CF Ruffer Absolute Return Fund	<u>-</u>	<u>8,314</u>

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

11. DEBTORS					2019	2018
					£000s	£000s
Prepayments and accrued income					23	15
12. CASH AT BANK					2019	2018
					£000s	£000s
Cash on deposit with investment managers					3,097	1,837
Cash on bank deposit					8,307	9,725
Current account					166	368
					11,570	11,930
13. CREDITORS: amounts falling due within one year					2019	2018
					£000s	£000s
Grant commitments					4,218	3,425
Accruals and deferred income					29	23
Other creditors					18	71
					4,265	3,519
14. CREDITORS: amounts falling due after more than one year					2019	2018
					£000	£000
Grant commitments					3,966	3,294
15. FUNDS ANALYSIS	Balance Brought Forward	Incoming Resources	Outgoing Resources	Transfers	Gains and Losses	Balance Carried Forward
	£000s	£000s	£000s	£000s	£000s	£000s
Unrestricted funds						
General reserves	3,865	2,300	(5,194)	-	-	971
Designated	10,494	-	-	-	1,363	11,857
	14,359	2,300	(5,194)	-	1,363	12,828
Endowment funds						
Expendable:						
Tote Sale Proceeds	68,086	-	(128)	-	8,883	76,841
Total funds	82,445	2,300	(5,322)	-	10,246	89,669

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 on which in ordinary circumstances they intend to spend the financial return including interest 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 spend the financial return generated by these funds.

16. NOTES TO THE CASH FLOW STATEMENT

2019
£000s 2018
£000s

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

Net income	(3,022)	(4,339)
Adjustments:		
Items not involving the movement of funds:		
Depreciation charge	-	1
Investment income receivable	(2,300)	(2,068)
Changes in working capital:		
Decrease in debtors	(8)	22
Increase in creditors	1,418	3,553
Net cash outflow from operating activities	(3,912)	(2,831)

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

Increase/(Decrease) in cash in the year	(360)	1,529
Change in net funds	(360)	1,529

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

16. NOTES TO THE CASH FLOW STATEMENT (continued)

(c) Analysis of the change in net funds:

	1 Jan 2019 £000s	Cash flow £000s	31 Dec 2019 £000s
Net cash:			
Cash at bank and in hand	11,930	(360)	11,570
Change in net funds	<u>11,930</u>	<u>(360)</u>	<u>11,570</u>

17. TRANSACTIONS WITH RELATED PARTIES

During the year grants with a combined value of £80k (2018: £3,983k) were awarded to Racing Welfare and catering supplies of £313 were purchased from the Jockey Club. The sole member of Racing Welfare is the Jockey Club. William Rucker was a Trustees of the Racing Foundation and Member of the Jockey Club during the year and Linda Bowles was an employee of the Jockey Club during the year. At the year end the balance due to Racing Welfare was £2,860k (2018: £3,634k).

During the year grants with a combined value of £300k (2018: £250k) were awarded to the National Horseracing Museum. Ian Barlow is a Trustee of the National Horseracing Museum. At the year end the balance due to the National Horseracing Museum was £150k (2018: £125k).

During the year grants with a combined value of £243k (2018: £20k) were awarded to the Northern Racing College. Susannah Gill is a Trustee of the National Horseracing College (formerly Northern Racing College). At the year end the balance due to the National Horseracing College (formerly Northern Racing College) was £82k (2018: £44k).

During the year £48 (2018: nil) payments 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 zero (2018: £96).

During the year £270 (2018: nil) payments were made to the Racecourse Association for attendance at a conference. The Racecourse Association is one of the three Members of the Racing Foundation. At the year end the balance due to the Racecourse Association was nil (2018: £0).

During the year grants of £569k (2018: nil) were made to the Thoroughbred Breeders Association and £10k (2018: nil) to the Racehorse Owners Association. The Thoroughbred Breeders Association and Racehorse Owners Association are both Members of the Horsemen Group, who are one of the three Members of the Racing Foundation. At the year end the balance due to the Thoroughbred Breeders Association was £386k (2018: nil) and the Racehorse Owners Association was £10k (2018: nil).

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

18. ACTIVITIES BY FUND IN PREVIOUS YEAR

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

	Notes	Unrestricted funds £000's	Expendable endowment funds £000's	Total 2018 £000's
Income and endowments from:				
Donations and legacies		-	-	-
Income from investments		2,068	-	2,068
Total income and endowments	3	<u>2,068</u>	<u>-</u>	<u>2,068</u>
Expenditure on:				
Raising funds:				
Investment management costs		-	(175)	(175)
Charitable activities:				
Grant making		<u>(6,232)</u>	<u>-</u>	<u>(6,232)</u>
Total expenditure	4	<u>(6,232)</u>	<u>(175)</u>	<u>(6,407)</u>
Net gains/(losses) on investments		<u>(718)</u>	<u>(4,682)</u>	<u>(5,400)</u>
Net movement in funds		<u>(4,882)</u>	<u>(4,857)</u>	<u>(9,739)</u>

19 Net income/(expenditure) for the year

This stated after charging:

	2019 £000s	2018 £000s
Depreciation	-	1
Auditors remuneration	<u>16</u>	<u>15</u>

20. Financial instruments

Financial assets:

	2019 £000s	2018 £000s
Debt instruments measured at amortised cost	23	15
Equity instruments measured at cost less impairment	86,307	77,313

Financial liabilities:

Measured at amortised cost	8,174	6,813
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21. Post Balance sheet events

The valuation of investments has dropped post year end as a result of the impact of Covid-19 as discussed in the strategic report.