

THE
RACING
FOUNDATION

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Charity Registration Number: 1145297
Company Registration Number: 07890908

THE RACING FOUNDATION
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FOR THE YEAR ENDED 31 DECEMBER 2015

Contents

	Page
Reference and administration details	1
Trustees' report:	2-9
Structure, Governance and Management	
Objectives and Activities	
Strategic Report	
Independent auditor's report	10
Statement of financial activities	11
Balance sheet	12
Cash flow statement	13
Notes to the accounts	14-23

THE RACING FOUNDATION

REFERENCE AND ADMINISTRATION DETAILS

FOR THE YEAR ENDED 31 DECEMBER 2015

Charity name

The Racing Foundation

Charity registration number

1145297

Company registration number

07890908

Registered address

75 High Holborn
London
WC1V 6LS

Trustees during the year

Roger Weatherby (Chairman – Resigned as Chairman and Trustee 31st December 2015)
Sir Ian Good (Chairman from 1st January 2016)
Kirsten Rausing

Trustees appointed 1st January 2016

Ian Barlow
Jane Keir
William Rucker

Executive officer

Chris Mills (to 31st August 2015)
Rob Hezel (from 16th November 2015)

Grants Manager

Tansy Challis

Independent auditor

haysmacintyre
26 Red Lion Square
London
WC1R 4AG

Bankers

Weatherbys Bank Ltd
Sanders Road
Wellingborough
Northamptonshire
NN8 4BX

Investment managers

Cazenove Capital
Management
12 Moorgate
London
EC2R 6DA

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

Ruffer LLP
80 Victoria Street
London
SW1E 5JL

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

THE RACING FOUNDATION

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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 22nd December 2011 and registered as a charity on 6th 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 12th March 2012 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.

At the 31st December Mr. Roger Weatherby's term of office as a trustee and Chairman ended. He was replaced as Chairman by Sir Ian Good. Three new trustees were appointed from the 1st January 2016, Mr. Ian Barlow, Miss Jane Keir and Mr. William Rucker, for an initial period of three years.

Organisation

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

OBJECTIVES AND ACTIVITIES

The objects of the charity are:

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

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

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

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

OBJECTIVES AND ACTIVITIES (continued)

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

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

- The Foundation will manage a range of grant schemes that are open to applications from all racing charities. Grants are awarded in a number of programme areas. These include:
 - An **innovation programme**, which will provide grants to investigate, develop, and trial new ideas or new ways of working.
 - A **continuity programme**, which will provide grants to sustain activities that are proven to be effective but are at risk of closure due to the termination of existing funding. Grants will provide temporary funding whilst organisations seek alternative long-term funding.
 - An **organisational development programme**, which will provide grants and training support designed to build the organisational capacity of racing charities.
 - A **small grants programme**, which will provide grants to charities for small projects associated with the racing industry.
 - An **equine science research grants programme**, which will provide grants for applied research in the field of equine science insofar as the research has demonstrable practical benefits to Thoroughbred horseracing.
- The Foundation will also fund three **initiatives** that aim to support the industries Strategy for Growth by drawing together charities to make significant progress in:
 - Enhancing injury rehabilitation services for racing's people.
 - Creating development opportunities for racing's people.
 - Enhancing equine welfare.
- The Foundation will implement and continuously review arrangements for the effective assessment of grant applications and decision-making.

To encourage and help charities work together.

- Support collaboration among organisations where it is appropriate.
- Liaise with racing industry funders and other charitable foundations to co-ordinate and increase resources available for racing charities.
- Capture, share and apply learning from the activities we fund.

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

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

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

STRATEGIC REPORT

Grant Making Policy

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

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

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

Public Benefit

The trustees have referred to the Charity Commission's guidance on public benefit when reviewing aims and objectives and when planning future activities. Particular attention was paid to this guidance when preparing the charity's grant making policy such that grants will only be made to charities for charitable purposes, in accordance with the Racing Foundation's own objects. The grant application process has also been designed to ensure that it is accessible to all 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 2015

STRATEGIC REPORT (continued)

Achievements and Performance

Details of the Foundation's achievements and performance in 2015 against the 2015-2018 strategic plan are listed below:

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

- The Foundation ran three funding rounds in 2015.
- In these funding rounds, the Foundation received 31 applications with a combined value of £2,059,171.
- Feedback has been sought from applicants on the grant application process and whilst the response was good the process has been amended slightly during the year to further improve it.
- The Foundation worked in partnership with the Horserace Betting Levy Board ('HBLB') to administer a funding round for equine science research grants. The Foundation received 11 applications with a combined value of £2.2m. By collaborating with the HBLB, the Foundation has benefitted from their established relationships with research institutions and their Veterinary Advisory Committee's considerable expertise in assessing applications. This process results in a much lower percentage success rate in this area due to the nature of the bids.
- A table analysing the number and value of applications received and grants awarded is provided below:

	Number of Applications Received	Value of Applications Received £000's	Number of Grants Awarded	Value of Grants Awarded £000's
Open Grants Programme				
Social welfare	6	£614	6	£364
Training, education & participation	12	£460	12	£457
Horse welfare	12	£485	9	£225
Heritage & culture	1	£500	1	£500
Sub-total	31	£2,059	28	£1,546
Equine Science Research	11	£2,200	3	£134
Total	42	£4,259	31	£1,680
Pro-active Funding Initiatives				
Personal Development Programme			4	£463
Enhancing Injury Rehabilitation			2	£94
Sub-total			6	£557
Total			37	£2,237

- We have instituted a rigorous review process for larger grants given and all Charities that receive a grant from the Foundation are asked to report back on how they have spent their grants, what they have achieved and what they have learnt from their work. Reporting is usually done at the project end or annually if it is a multi-year grant. These reports, together with the more informal ongoing communication that the Foundation's staff maintain with grantees, have begun the process of capturing and sharing the learning from the work that we fund. This process has been enhanced this year with the creation of a steering group for the PDP initiative and will develop further over the coming years.

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

STRATEGIC REPORT (continued)

Achievements and Performance (continued)

2) To encourage and help charities work together.

- In addition to the grants awarded, the Foundation has sought to encourage and support collaboration among racing charities. Collaboration offers charities many potential benefits including; improving the quality and reach of services, the removal of duplication, learning from other organisations, achieving greater influence on the policies of government or other authorities, and saving costs. The Foundation has therefore sought to create opportunities for racing charities to work together notably through hosting charity seminars and our work on creating resources to assist the racing charity community recruit volunteers and in identifying a network of funders sympathetic to racing causes. We continue to examine how best we can measure the progress of our work in this area.

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

- The Foundation seeks to maintain effective systems of governance. Three board meetings were held during 2015, with a 100% attendance record from all trustees. Three Small Grants Committee meetings were held during 2015 with a 100% attendance record from all members.
- The Foundation's activities are sustained by financial returns generated by its designated and expendable endowment funds. Management of these funds plays a crucial role in the Foundation's ability to support the funding of current and future generations within horseracing. Investment policy and performance is discussed in more detail below under 'investment policy and performance' however during the year investment returns were below target by 0.6%. Cumulatively, since inception, in 2012 they exceed the targets set by trustees by 7.51%.
- Support costs, management and administration were 6% of total grant expenditure
- 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 set up a Twitter handle: @RFoundation01 to provide grant alerts and updates on the charities and projects it supports.

The Foundation made a positive start to delivering its strategy in 2015. The grant process was amended following feedback from stakeholders and the general quality of applications increased. Absolute numbers of grant applications increased, grant applications awarded increased as did the total amount of grant monies provided.

Financial Review

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

The Foundation generated income from bank deposits and investments amounting to £1,875,960 (2014: £1,027,589). Market volatility eroded investment gains to £549,893 (2014: £1,761,765). Trustees took the decision during the year to draw down on some of the real capital gains to fund grant-making and transferred £1,000,000 (2014: £280,000) from designated and endowment funds to general reserves.

This helped fund expenditure of £2,655,729 (2014: £1,330,957), including grants of £2,237,372 (2014 £1,095,790).

In November 2015 the trustees awarded a grant of £500,000 to the Home of the Horseracing Trust to allow for the timely completion of the new Horseracing Museum in Newmarket. The trustees considered that this was an important heritage and culture project that could not have proceeded to completion without their support. This action demonstrates the

RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

STRATEGIC REPORT(continued)

Financial review (continued)

trustee's commitment to short term flexibility recognising the long term nature of the endowment they are managing. Without this grant the statement of financial activities would show a gain in the year of £270,124.

Overall, as at 31 December 2015, the Foundation's net funds stood at £80,938,779 (2014: £81,168,655).

Reserves Policy

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. As at 31 December 2015, the Foundation's Tote Sale Proceeds expendable endowment stood at £69,854,766 (2014: £70,259,840).

The Foundation also holds funds in 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. The funds were therefore transferred into a designated fund with the aim of preserving the real capital value over the long term and only spending the financial return. As at 31 December 2015, the Foundation's Tote Sale Proceeds designated fund stood at £10,695,456 (2014: £10,758,675).

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. The Foundation has a policy of holding no more than one year's forward expenditure in this fund. As at 31st December 2015, the Foundation held general reserves of £388,557 (2014: £150,140) which represents almost two month's budgeted expenditure and, based on forward cash flow projections of both income and grant commitments, is sufficient to meet liabilities as they fall due.

Investment Policy and Performance

The Foundation has 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.

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 three investment managers during the year. Cazenove Capital Management is 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, with the assistance of a specialist independent investment advisor. During 2015, all three investment managers' performance was impacted on by market conditions with only one manager exceeding their target for the year, however all three remain in excess of target during the period of their tenure. The trustees conducted a three-year review of investment managers at the start of 2016 and added a fourth investment manager Sarasin.

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

STRATEGIC REPORT (continued)

Plans for Future Periods

In order to deliver the 2015-2018 strategy a range of operational activities are planned for 2016. The trustees approved a business plan identifying activities by strategic objective which are all intended to contribute to the achievement of the 3-year strategy.

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 reviewed the investment managers used at the start of 2016 and have added a fourth investment manager spreading their risk. The investment policy has been amended to provide more flexibility to the managers. The trustees continue to take advice on investments from an independent source.
<i>Lack of continuity:</i> The introduction of three new trustees with 2 more planned along with a recently appointed staff threatens a loss of internal organisational memory and to present key knowledge gaps.	The members have agreed to extend the terms of two trustees and a process will be agreed to ensure new trustees with the required skills, knowledge and experience are appointed in a timely manner.
<i>Industry pressure:</i> The Trustees use only the funds generated annually from investments (with some flexibility) and aim to maintain the real value of the investment to benefit future generations. This policy could come under scrutiny and pressure due to the financial demands stakeholders face in delivering and improving the sport.	The trustees continue to be very clear to all stakeholders on their policy. Communication with stakeholders will be increased and positive messaging of the strategy will be used to re-enforce understanding of the policy.
<i>Lack of infrastructure:</i> The lack of internal Foundation resources, the resources of charities within the sector and the resources of other stakeholders could impact on the delivery of projects granted funds.	The trustees have appointed independent evaluation consultants to one key project already and will consider available resources to manage projects when making decisions on grant applications.

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.

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

TRUSTEES' RESPONSIBILITIES STATEMENT

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

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

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

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

DECLARATION

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

Signed on behalf of the charity's trustees

Sir Ian Good
Chairman of the Trustees

Dated 17th August 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RACING FOUNDATION FOR THE YEAR ENDED 31 DECEMBER 2015

We have audited the financial statements of The Racing Foundation for the year ended 31 December 2015 which comprise the Statement of Financial Activities, the Charitable Company Balance Sheet, the cash flow statement 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 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Trustees' Responsibilities set out on page 11, 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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its result 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 Report of the Directors (including the Strategic 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Jeremy Beard
Senior Statutory Auditor
for and on behalf of haysmacintyre
Statutory Auditors

26 Red Lion Square
London
WC1R 4AG

Date: 17th August 2016

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 2015

	Notes	Unrestricted funds £000's	Expendable endowment funds £000's	Total 2015 £000's	Total 2014 £000's
Income and endowments from:					
Donations and legacies		-	-	-	49,905
Income from investments		1,876	-	1,876	1,027
Total income and endowments	3	<u>1,876</u>	<u>-</u>	<u>1,876</u>	<u>50,932</u>
Expenditure from:					
Raising funds:					
Investment management costs		(50)	(240)	(290)	(168)
Charitable activities:					
Grant making		(2,366)	-	(2,366)	(1,163)
Total expenditure	4	<u>(2,416)</u>	<u>(240)</u>	<u>(2,656)</u>	<u>(1,331)</u>
Net gains on investments		74	476	550	1,762
Net (expenditure)/income		<u>(2,079)</u>	<u>1,849</u>	<u>(230)</u>	<u>51,363</u>
Transfers between funds		870	(870)	-	-
Net movement in funds		<u>404</u>	<u>(634)</u>	<u>(230)</u>	<u>51,363</u>
Total funds brought forward		<u>10,909</u>	<u>70,260</u>	<u>81,169</u>	<u>29,806</u>
Total funds carried forward	15	<u><u>11,313</u></u>	<u><u>69,626</u></u>	<u><u>80,939</u></u>	<u><u>81,169</u></u>

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

The donations and legacies in 2014 (£49,905k) were the final sale proceeds from the TOTE received from the DCMS.

The notes on pages 14 to 22 form part of these financial statements.

THE RACING FOUNDATION

BALANCE SHEET

AS AT 31 DECEMBER 2015

	Notes	Unrestricted funds £000's	Endowment funds £000's	Total 2015 £000's	Total 2014 £000's
Fixed Assets					
Tangible assets	9	3		3	5
Investments	10	10,579	67,785	78,364	80,399
Total fixed assets		<u>10,582</u>	<u>67,785</u>	<u>78,367</u>	<u>80,404</u>
Current assets					
Debtors	11	132		132	97
Cash at bank & in hand	12	2,584	1,860	4,444	1,822
Total current assets		<u>2,716</u>		<u>4,576</u>	<u>1,919</u>
Creditors: amounts falling due within one year	13	<u>(1,348)</u>	<u>(19)</u>	<u>(1,367)</u>	<u>(802)</u>
Net current assets		<u>1,368</u>	<u>1841</u>	<u>3,209</u>	<u>1,117</u>
Creditors: amounts falling due in more than one year	14	<u>(637)</u>	<u>-</u>	<u>(637)</u>	<u>(352)</u>
Net assets		<u>11,313</u>	<u>69,626</u>	<u>80,939</u>	<u>81,169</u>
Funds of the charity					
Unrestricted funds		11,313	-	11,084	10,909
Endowment funds		-	69,626	69,855	70,260
Total funds	15	<u>11,313</u>	<u>69,626</u>	<u>80,939</u>	<u>81,169</u>

These financial statements were approved and authorised for issue by the Trustees on 17th August 2016 and were signed on their behalf by:

Sir Ian Good
Chairman of the Trustees

The notes on pages 14 to 22 form part of these financial statements.

THE RACING FOUNDATION

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Total 2015 £000's	Total 2014 £000's
Cash flows from operating activities	16a	<u>(1,838)</u>	<u>49,108</u>
Cash flows from investing activities:			
Investment income received		1,876	1,028
Proceeds from sale of investments		25,414	32,709
Payments to acquire investment assets		(22,829)	(83,051)
Payments to acquire tangible fixed assets		(1)	(2)
Net cash used in investing activities		<u>4,460</u>	<u>(49,316)</u>
Change in cash and cash equivalents in the reporting period	16b	<u><u>2,622</u></u>	<u><u>(208)</u></u>

The notes on pages 14 to 22 form part of these financial statements.

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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.

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 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

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

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

Where the charity gives a grant commitment with conditions for its payment being a specific level of service or output to be provided, such grants are only recognised in the SoFA once the recipient of the grant has provided 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.

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

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 £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

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

Expendable endowment funds are held separately from unrestricted funds. There is no requirement to spend or apply the capital 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, the relevant funds are transferred to unrestricted funds in line with the terms of the original grant from the department of culture, media and sport.

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

3. ANALYSIS OF INCOMING RESOURCES	2015	2014
	£000's	£000's
Voluntary income		
Donations	-	9
Grants from the Department for Culture Media and Sport	-	49,896
	<hr/>	<hr/>
	-	49,905
Investment income		
Dividends receivable	1,865	963
Bank interest	11	64
	<hr/>	<hr/>
	1,876	1,027
Total	<hr/> <hr/>	<hr/> <hr/>
	1,876	50,932
4. ANALYSIS OF RESOURCES EXPENDED	2015	2014
	£	£
Cost of generating funds		
Cost of generating voluntary income	-	-
Investment management fees	250	142
Independent investment advice	27	20
Support costs (see note 6)	13	6
	<hr/>	<hr/>
	290	168
Charitable activity: grant making		
Grants payable (see note 5)	2,237	1,096
Support costs (see note 6)	117	57
Governance - Auditor's fee	10	9
Governance - Trustees expenses	2	1
	<hr/>	<hr/>
	2,366	1,163
Total	<hr/> <hr/>	<hr/> <hr/>
	2,656	1,331

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

5. GRANT EXPENDITURE	2015	2014
	£000's	£000's
Social Welfare:		
The Racing Centre (formerly the New Astley Club)	-	225
Racing Welfare	-	55
Injured Jockeys Fund	20	-
Eastbury PCC	10	-
Racing Homes	26	-
Racing Welfare	42	-
University of Cambridge	43	-
University of Oxford	223	-
	<hr/>	<hr/>
	364	280
Education, Training and Participation:		
Northern Racing College	208	110
British Racing School	122	136
British Horseracing Education Standards Trust (BHEST)	5	85
Wavertree Charitable Trust	-	51
Askham Bryan College	28	-
Greatwood Charity	9	-
National Horseracing Museum	70	-
University of Liverpool	15	-
	<hr/>	<hr/>
	457	382
Equine Science Research:		
Royal Veterinary College	-	80
University of Liverpool	-	80
Horserace Betting Levy Board	134	-
	<hr/>	<hr/>
	134	160
Thoroughbred Horse Welfare:		
Retraining of Racehorses	19	50
Royal (Dick) School of Veterinary Studies, University of Edinburgh	-	50
University of Glasgow	-	50
Greatwood Charity	-	10
Homing Ex-Racehorses Organisation Scheme (HEROS)	160	-
Moorcroft Racehorse Welfare Centre	33	6
Thoroughbred Rehabilitation Centre	8	-
Racehorse Rescue Centre	5	-
	<hr/>	<hr/>
	225	166
Heritage and Culture:		
Home of Horseracing Trust	500	100
National Horseracing Museum	-	-
	<hr/>	<hr/>
	500	100
Other:		
Small grants to racing charities from Chairman's marathon monies	-	8
	<hr/>	<hr/>
	-	8
Injury and Rehabilitation Initiative:		
Racing Centre	84	-
Thoroughbred Breeders Association	10	-
	<hr/>	<hr/>
	94	-
	<hr/>	<hr/>

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

5. GRANT EXPENDITURE (continued)	2015 £000's	2014 £000's
Personal Development Initiative:		
Jockeys Employment and Training Scheme	333	-
Wavertree Charitable Trust	94	-
Northern Racing College	13	-
British Racing School	23	-
	<u>463</u>	<u>-</u>
Total grant expenditure	<u><u>2,237</u></u>	<u><u>1,096</u></u>

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

6. SUPPORT COSTS	Generating funds £000's	Grant making £000's	Total £000's
Management & administration	11	97	108
Website,IT and communications	1	12	13
Travel and general office expenses	1	8	9
	<u>13</u>	<u>117</u>	<u>130</u>
	<u><u>13</u></u>	<u><u>117</u></u>	<u><u>130</u></u>

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

7. TRUSTEE REMUNERATION AND EXPENSES

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

Trustees' expenses of £1,923 (2014: £1,351) are included in charitable activities. These relate to travel and accommodation costs commensurate with attending trustee meetings. Expenses were reimbursed to 2 trustees during the year (2014: 2).

8. STAFF COSTS	2015 £000's	2014 £000's
Gross wages	66	37
Employer's national insurance contributions	5	4
Pension costs	5	3
Other benefits	-	1
	<u>76</u>	<u>45</u>
Total staff costs	<u><u>76</u></u>	<u><u>45</u></u>

Key staff incurred total remuneration costs of £76k during the year (2014: £45k). No employees earned over £60k during the period (2014 – none).

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

9. TANGIBLE FIXED ASSETS	Office Equipment £000's	Total £000'
Cost		
Balance brought forward	10	10
Additions	1	1
	<u>11</u>	<u>11</u>
Balance carried forward	11	11
Depreciation		
Balance brought forward	5	5
Depreciation charge for the year	3	3
	<u>8</u>	<u>8</u>
Balance carried forward	8	8
Net book value		
Balance brought forward	5	5
	<u>3</u>	<u>3</u>
Balance carried forward	3	3
	<u><u>3</u></u>	<u><u>3</u></u>
10. FIXED ASSETS INVESTMENTS		
	2015	2014
	£000's	£000's
Carrying market value at the beginning of the year	80,399	28,295
Additions to investments at cost	22,830	83,051
Disposals at carrying value	(25,415)	(32,709)
Investment gains/(losses)	550	1,762
	<u>78,364</u>	<u>80,399</u>
Carrying market value at end of year	78,364	80,399
Historical cost at end of year	<u>75,606</u>	<u>77,136</u>
	<u><u>75,606</u></u>	<u><u>77,136</u></u>
Analysis of investments (at market value)		
	£000's	£000's
Listed investments:		
Fixed interest securities	15,503	6,263
Equity shares	31,715	1,759
Common investment funds, investment trusts & unit trusts	31,146	72,377
	<u>78,364</u>	<u>80,399</u>
Carrying market value at end of year	78,364	80,399
	<u><u>78,364</u></u>	<u><u>80,399</u></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:

	£000's	£000's
CF Ruffer Absolute Return Fund	8,126	8,211
Institutional Cash Series PLC	-	4,712
	<u><u>8,126</u></u>	<u><u>4,712</u></u>

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

11. DEBTORS					2015	2014
					£000's	£000's
Prepayments and accrued income					132	97
					<u> </u>	<u> </u>
12. CASH AT BANK					2015	2014
					£000's	£000's
Cash on deposit with investment managers					2,436	879
Cash on bank deposit					1,921	882
Current account					87	61
					<u> </u>	<u> </u>
					<u>4,444</u>	<u>1,822</u>
					<u> </u>	<u> </u>
13. CREDITORS: amounts falling due within one year					2015	2014
					£000's	£000's
Grant commitments					1,278	719
Trade creditors					-	71
Accruals and deferred income					26	10
Other creditors					63	2
					<u> </u>	<u> </u>
					<u>1,367</u>	<u>802</u>
					<u> </u>	<u> </u>
14. CREDITORS: amounts falling due after more than one year					2015	2014
					£000's	£000's
Grant commitments					637	352
					<u> </u>	<u> </u>
					<u> </u>	<u> </u>
15. FUNDS ANALYSIS	Balance	Incoming	Outgoing	Transfers	Gains and	Balance
	Brought	Resources	Resources		Losses	Carried
	Forward	£000's	£000's	£000's	£000's	Forward
	£000's					£000's
Unrestricted funds						
General reserves	150	1,876	(2,378)	1,000	-	648
Designated:						
Tote Sale Proceeds	10,759	-	(38)	(130)	74	10,665
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	10,909	1,876	(2,416)	870	74	11,313
Endowment funds						
Expendable:						
Tote Sale Proceeds	70,260	-	(240)	(870)	476	69,626
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total funds	<u>81,169</u>	<u>1,876</u>	<u>(2,656)</u>	<u>-</u>	<u>550</u>	<u>80,939</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

15. FUNDS ANALYSIS (continued)

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.

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 have chosen to designate these funds for long-term investment and only intend to spend the financial return generated by these funds.

Expendable Endowment – Tote Sale Proceeds

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

Fund Transfers

During the year, funds were transferred from the Tote Sale Proceeds expendable endowment and designated funds to the general reserve. The transfer reflects the decision of trustees to draw down an element of real capital gain from the Foundation's investment portfolio.

16. NOTES TO THE CASH FLOW STATEMENT

	2015 £000's	2014 £000's
(a) Reconciliation of net income to net cash inflow from operating activities:		
Net income	(780)	49,601
Adjustments:		
Items not involving the movement of funds:		
Depreciation charge	3	2
Investment income receivable	(1,876)	(1,028)
Changes in working capital:		
Decrease/(Increase) in debtors	(35)	(93)
Increase in creditors	850	626
Net cash inflow from operating activities	<u>(1,838)</u>	<u>49,108</u>
(b) Reconciliation of net cash flow to movement in net funds:		
(Decrease) in cash in the year	2,622	(208)
Change in net funds	<u>2,622</u>	<u>(208)</u>

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

16. NOTES TO THE CASH FLOW STATEMENT (continued)

(c) Analysis of the change in net funds:

	1 Jan 2015 £000's	Cash flow £000's	31 Dec 2015 £000's
Net cash:			
Cash at bank and in hand	1,822	2,622	4,443
	<u>1,822</u>	<u>2,622</u>	<u>4,443</u>
Change in net funds	<u>1,822</u>	<u>2,622</u>	<u>4,443</u>

17. TRANSACTIONS WITH RELATED PARTIES

During the year grants with a combined value of £42,000 (2014: £57,152) were awarded to Racing Welfare. The sole member of Racing Welfare is the Jockey Club. Roger Weatherby, Sir Ian Good and Kirsten Rausing are trustees of the Racing Foundation and members of the Jockey Club. Roger Weatherby is also a Senior Steward of the Jockey Club.

During the year payments amounting to £396 (2014: £852) were paid to the British Horseracing Authority for catering supplied during meetings and seminars held at the British Horseracing Authority's offices. The British Horseracing Authority is one of the three members of the Racing Foundation. At the year end the balance due to the British Horseracing Authority was £0 (2014: £396).

During the year payments amounting to £27,120 (2014: £19,900) were paid to Weatherbys Bank Limited for investment advice. A further £Nil (2014: £250) was paid to Weatherbys Bank Limited in respect of banking charges. Roger Weatherby is Chief Executive of Weatherbys Bank Limited and also a trustee of the Racing Foundation. At the year end the balance due to Weatherbys Bank Limited was £6,780 (2014: £4,980).

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 2014 £000's
Income and endowments from:				
Donations and legacies		9	49,896	49,905
Income from investments		1,028	-	1,028
Total income and endowments	3	<u>1,037</u>	<u>49,896</u>	<u>50,933</u>
Expenditure on:				
Raising funds:				
Investment management costs		(65)	(103)	(168)
Charitable activities:				
Grant making		(1,163)	-	(1,163)
Total expenditure	4	<u>(1,228)</u>	<u>(103)</u>	<u>(1,331)</u>
Net gains on investments		231	1,531	1,762
Net income		<u>40</u>	<u>51,324</u>	<u>51,364</u>

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

19. TRANSITION TO NEW FINANCIAL REPORTING STANDARD 102

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP 2015 (FRS 102) the restatement of comparative items was required.

No restatement of items has been required in making the transition to FRS 102. The transition date was 1 January 2014.

20. Net income/(expenditure) for the year	2015 £000's	2014 £000's
This stated after charging:		
Depreciation	3	2
Auditors remuneration	10	9
	<u> </u>	<u> </u>