

Company Registration No. 2596548 (England and Wales)
Charity No. 1002705

ROYAL AUTOMOBILE CLUB FOUNDATION FOR MOTORING LIMITED
(BY GUARANTEE)

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

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**ROYAL AUTOMOBILE CLUB FOUNDATION FOR MOTORING LIMITED
(BY GUARANTEE)**

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**ROYAL AUTOMOBILE CLUB FOUNDATION FOR MOTORING LIMITED
(BY GUARANTEE)**

LEGAL AND ADMINISTRATIVE INFORMATION

Board of Trustees

Mr J Greenwell CBE DL, Chairman

Dr D Bizley
Mr B Cussons
Dr S Hammerton
Mr C Woodhouse
Mr D Bayliss OBE

Director

Mr S Gooding CB

Registered office

Royal Automobile Club Foundation for Motoring Limited
89-91 Pall Mall
London
SW1Y 5HS

Company registration number

2596548

Charity number

1002705

Independent Auditors

Saffery Champness LLP
71 Queen Victoria Street
London
EC4V 4BE

Bankers

National Westminster Bank Plc
208 Piccadilly
London
W1A 2DG

Investment Advisors

Barnett Waddingham
Cheapside House
138 Cheapside
London
EC2V 6BW

**ROYAL AUTOMOBILE CLUB FOUNDATION FOR MOTORING LIMITED
(BY GUARANTEE)**

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2016**

The Trustees (who are directors for the purposes of Company law) are pleased to present their annual Trustees' report together with the financial statements of the RAC Foundation for the year ended 31 December 2016. The legal and administrative information on page 1 forms part of this report.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and 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).

Chairman's report

I am pleased to look back over another busy year for the RAC Foundation. The team has continued to build the Foundation's public profile, in line with the Foundation's mission to conduct and ensure the widespread dissemination of research into motoring issues, in the interest of the responsible motorist.

Undoubtedly the biggest motoring issue on the public agenda has been the ever-increasing focus on air quality and the role played by motor vehicle emissions. The Trustees were therefore very supportive of the Foundation's decision to commission Ricardo EAE to revisit their 2014 work on air quality to provide a timely update which was published in December. We see getting the facts onto the table as a key task for the Foundation, which was certainly the case with the analysis the Foundation published on the very limited impact likely to be achieved through running a diesel vehicle scrappage scheme. Of course, other issues warranted the Foundation's attention too - notable reports in 2016 included an assessment of the effectiveness of average speed cameras and looked at different models of road funding.

One way the Trustees have for gauging the effectiveness of the Foundation is the extent to which Foundation staff are invited to participate and/or present evidence in working groups and committees. Over the course of the year the Foundation team could be seen at a wide range of conferences and events, including giving evidence to parliamentary committees. We were happy to agree to our director accepting the invitation to become a trustee of the Rees Jeffreys Road Fund, and delighted that Research Director Liz Box was accepted to study part-time for a PhD by Cranfield University, pursuing the important issue of young driver safety, sponsored by the Foundation. We are keen to invest in developing the skills and capability of all the Foundation staff.

I should also like to record our support for the way the Foundation has been seeking to build firmer bridges with the academic transport studies community, in particular through the University Transport Studies Group. Through links such as these we believe the Foundation can play a valuable role in making connections and ensuring that policy thinking in government – national and local - is well-informed.

The Trustees recognise that the Foundation owes its ability to carry on its work to the generosity of the membership of the Royal Automobile Club, who in 1998 donated the endowment which funds the Foundation's activity. In 2016 the Trustees formed an investment sub-committee to oversee our refreshed investment strategy, re-investing the endowment with two new fund managers. Although it is early days, the investment performance has been encouraging, and I would particularly like to thank Ben Cussons, Stephen Hammerton and David Bayliss for the time they have given to making this transition a success. I would also like to extend my thanks to David Bayliss, David Bizley and Chris Woodhouse for all their support and input as Trustees – particular thanks go to Chris who has subsequently stepped down as a trustee on his departure from the RAC motoring services business – we will miss his wise counsel but wish Chris every success in the future.

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**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2016**

We have been pleased to see the strong relationship between the Foundation and the Club, evident in the private dinner we jointly hosted for the Transport Secretary in February, numerous motoring policy meetings held in the Pall Mall and Woodcote clubhouses, and, of course, in our Winter Reception co-hosted by RAC Motoring Services.

My thanks go also to our director and to the staff of the Foundation, whose knowledge, expertise and enthusiasm continues to impress me.

In closing I should like to add one last word of appreciation for the work of Peter Foubister, who as secretary to the Club's Motoring Committee was a firm friend of the Foundation. Peter's passing at the end of the year was a terrible shock – he will be sorely missed and fondly remembered by us all.

J Greenwell CBE DL
Chairman

**ROYAL AUTOMOBILE CLUB FOUNDATION FOR MOTORING LIMITED
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**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2016**

RAC Foundation

Objectives and activities

The objective of the Foundation is to promote for the public benefit research into the environmental, economic, mobility and safety issues relating to the use of motor vehicles. In practice this means the Foundation seeks to illuminate, inform and influence the debate about roads and road use, taking the perspective of the responsible motorist, with a particular focus on affordable, safe and sustainable mobility.

The Foundation's activities:

- Researching/analysing – the Foundation commissions and disseminates research and analysis from a variety of experts in the academic and consultancy worlds; the staff of the Foundation also conduct research and analysis directly. Material is published on the Foundation's website alongside a limited run of hard-copy documents and disseminated through a variety of media. The annual research programme is reviewed by the Trustees for consistency with the Foundation's charitable purposes, informed by the views of the Foundation's Research Advisory Group. In addition to disseminating the Foundation's own work, we also increasingly aim to help other relevant research material come to the notice of those developing transport policy;
- Commenting/reacting – the Foundation seeks to engage with the issues of the day, insofar as they relate to motoring and road use, in particular drawing on the back catalogue of Foundation research and the expertise and knowledge of Foundation staff to offer an informed perspective. This can involve briefing journalists and appearing in the media, including specialist journals, through to giving evidence e.g. to parliamentary committees; and
- Engaging/debating – the Foundation seeks to make contact and engage with a wide range of organisations active in the development of transport policy and the delivery of transport services at a national and a local level, including the Department for Transport, the Treasury, the Department for the Environment, Farming and Rural Affairs, Highways England, and with professional bodies and associations such as the Association of Directors of Environment, Planning and Transport and the Chartered Institute of Highways and Transport. Foundation staff are encouraged to accept invitations to present material at conferences and workshops, join stakeholder groups and sounding boards, and to host and facilitate workshops.

Our ambition is to promote policies that will get people where they need to be, when they need to be there, in safety, affordably, with minimum environmental impact.

In reviewing our objectives and research programme the Trustees confirm that they have regard to the Charity Commission's guidance on public benefit and consider each year how the Foundation meets its public benefit objectives.

Achievements and performance

2016 marked the 25th anniversary of the original establishment of the Foundation in 1991 as 'the Royal Automobile Club Foundation for Motoring and the Environment', and exploring ways to achieve the best balance between enjoying the benefits that motor vehicles can bring whilst minimising their harmful impacts remains central to the Foundation's work.

Over the course of 2016 the Foundation's activity was focused on five priority areas:

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**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2016**

- The safety of young/novice drivers;
- The importance of the road network for mobility, promoting efficient highway maintenance;
- Vehicle emissions and the air quality challenge;
- The performance of national roads managed by Highways England; and
- Proportionate enforcement of relevant road traffic law.

We published a total of twelve pieces of research/analysis ranging from factsheets (e.g. on child road safety) through to full reports (e.g. the effectiveness of average speed cameras). We produced more internal analysis than in previous years, including well-received work to identify the importance placed on driving as an employment qualification, the availability and use of charge-points for plug-in electric vehicles, and on the potential for running an air-quality focused diesel scrappage scheme.

Our support for reforms of the practical car driving test, for allowing learner drivers to be trained on motorway driving, and for a package of reforms to motorcycle training and testing received wide coverage, helping to make the case for change and chivvying at the pace of implementation by Government.

We were pleased to host and facilitate several workshops and seminars, including, in November, an event focusing on travel poverty bringing together academics from ITS Leeds and University College London with officials and officers from the Transport Department, the Treasury and local government. Others included reviewing the business model for the provision of driver testing, the role of the private car in meeting future transport needs, and the country's future road infrastructure needs.

We have continued to make the case for establishment, in law, of the Government's planned Roads Fund, with John Smith's three country review putting a spotlight on the value of generating high, stable, predictable funding for stewardship of road infrastructure, whilst also highlighting the relatively high cost of fuel in the UK consequent on the rates of duty and taxes applied by the Treasury. The Chancellor reaffirmed the Government's commitment to establish the Fund in his 2016 Autumn Statement, as well as maintaining the freeze on further fuel duty increases.

We have continued to automate our regular analytical updates, and to seek out potential data sources. The Foundation's analysts have worked particularly hard, and effectively, with Highways England to re-establish the open-data set of traffic volumes and speeds across the motorway and trunk road network, including participation in illustrative data 'hackathon' sessions to explore the value to be achieved from data mining.

Inevitably we have had to reprioritise and re-programme our activity over the year as new issues arise. Work on motorcycle safety, access to the Transport Department's Road Accident In-Depth Database, and analysis of traffic in London were all still in development at the year end. We also found it hard to find a way into the insurance market for young drivers. Our aim was to see whether there are lessons to be learned from overseas practice, given mounting concern about insurance costs in the UK. Our first attempt resulted in a very thin report which we decided to shelve and start again. Work is in hand, with a different consultant, at year end.

We also spent some time and money exploring the scope to develop 'sentiment mapping' – downloading comments posted on social media to explore what they reveal about motorists' experiences, in particular we wanted to understand more about the real impact of delay e.g. in terms of appointments missed, but ultimately decided that our concern over the risks of drivers continuing to use their phones whilst on the move was the more significant issue. While Government has moved to increase the penalties for mobile phone use by drivers our interest has moved to the broader issue of driver distraction and the proliferation of touch-screens in car dashboards, which we are pursuing as an issue of vehicle construction and use standards.

ROYAL AUTOMOBILE CLUB FOUNDATION FOR MOTORING LIMITED (BY GUARANTEE)

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2016

Throughout the Foundation continues to draw attention to the significant role motoring plays in British society today. By some considerable margin it is how most of us get to work, access services, and ensure our supermarket shelves are filled.

Future plans

The three forms of activity listed above will continue to form the core of the Foundation's work. In 2017 we will:

- Seek further opportunities to use our ability to convene and host events to facilitate the wider dissemination of research findings, including research commissioned and undertaken by academics and other organisations – these will include events focused on efficient management of streetworks, young driver safety and, with IAM RoadSmart, the issues to be addressed in the development of increasingly autonomous vehicles for road use;
- Continue to explore new sources of data that will enable us to see more clearly the trends in motoring and road use. In addition to established open data sources we have entered into a number of non-disclosure agreements that allow us to explore the potential for deriving useful information which might then form the basis of future analysis for publication subject to sorting any concerns over commercial confidentiality or personal data privacy;
- Identify opportunities for joint working with other organisations to reach a broader audience, including the Campaign for Better Transport, the Society of Motor Manufacturers and Traders, the British Vehicle Rental and Leasing Association and London First;
- Invest in the professional development of the Foundation staff, in particular learning and deploying advanced data analytics; and

Commission an effectiveness review, with independent consultants interviewing a selection of our stakeholders to identify how we might improve the way we work and target our activities to best effect.

Financial Review

The work of the Foundation is very largely funded from the return achieved on the investment of the original charitable endowment gifted by the Royal Automobile Club in 1998. This covers the salaries of the Foundation's permanent staff, accommodation and office expenses, and provides a core budget for commissioned research and publications. The Foundation supplements this from time-to-time through joint working e.g. with PA Consulting to run and write up events focused on the autonomous vehicle agenda.

The Trustees note that the Foundation has stayed within £24,000, or 3%, of the budget set in November 2015. The cash drawn down from the expendable endowment fund was £784,000 covering in full the cash requirements of the organisation. The amount of the drawdown was recast by the Trustees as of the third quarter of 2016, rising from £192,000 to £200,000 per quarter, to ensure that the Foundation would have sufficient operating cash at hand to cover unforeseen expenses (the budget was reviewed and re-profiled, but not increased, in Summer 2016).

The income recognised in the Statement of Financial Activities on page 13 is made up of the dividends and distributions received from the investment portfolio. This is lower than the £784,000 cash drawn down from the portfolio because half our investments are now held in an accumulation fund where dividends etc. are reinvested. Cash withdrawn from this fund is realised through the disposal of investments in the fund each quarter.

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REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2016

Expendable endowment fund

This represents the original donation in 1998 at the time the Foundation was established in its current corporate form, as adjusted for subsequent movements in investment values, investment management costs and any expenditure of the endowment. The fund can be retained as capital or disbursed at the Trustees' discretion for any purpose within the Foundation's objects, and at year-end 2016 was valued at £28,108,768, a rise of £3,695,855 over the year. This increase is as a result of the net gains on investments of which £2,741,859 related to realised gains on the portfolio following the transfer of investments to the new investment managers.

Taking one year with another the Trustees are content that the value of the expendable endowment is being satisfactorily maintained so as to ensure the long-term viability of the Foundation without the need to seek further charitable donations.

Unrestricted income fund

This represents accumulated unspent income and can be used at the Trustees' discretion for any purpose within the Foundation's objects and stands at £4,010,000 at year end.

Reserves and Investment policy

The Trustees' policy is to maintain in the long term the real value of the expendable endowment fund and also to generate sufficient income to cover proposed (budgeted) expenditure.

In 2016 the Trustees, on advice from the Investment Sub-Committee, re-invested the expendable endowment equally between two new investment managers: Pictet and Investec Wealth. The aim, in selecting new investment management, was to spread risk in an uncertain investment climate, and to adopt a modest increase in risk appetite in order to achieve a higher return, and thus fund increased Foundation activity.

Early indications are encouraging, though it should be noted that the investment climate remains uncertain, not least as a consequence of the decision that the UK should leave the European Union.

Rather than earmark a discrete reserve, the Trustees' view is that short term risks to the Foundation budget could be readily managed by authorising an exceptional drawdown from the expendable endowment. The Foundation's fund managers have confirmed that they regard this as a manageable approach, consistent with the Trustees' stated investment objectives.

The Investment Sub-Committee monitors the fund managers investment performance through the year and reports to the full Trustee meeting which in turn reviews the value of the endowment and the spend profile of the Foundation budget at the regular Trustee meetings.

Structure, governance and management

Governing document

The Royal Automobile Club Foundation for Motoring Limited is a company limited by guarantee, governed by its Memorandum and Articles of Association, incorporated 28 March 1991 as amended 30 March 1999, 31 July 2000 and 27 January 2005. It is registered as a charity with the Charity Commission.

Appointment of Trustees

The Articles of Association prescribe that there shall be a minimum of five Trustees. The Trustees are then collectively responsible for the appointment and reappointment of trustees. Up to four trustee positions may be filled by nominees of the Royal Automobile Club (2) and RAC Motoring Services (2), subject to the approval of the Trustees. The Trustees may nominate one of their number to serve as Chair. The Trustees meet three times a

ROYAL AUTOMOBILE CLUB FOUNDATION FOR MOTORING LIMITED (BY GUARANTEE)

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2016

year (April, July and November). While the Articles of Association allow for decisions to be taken on the basis of a majority vote in a quorate meeting, in practice all Trustees' decisions have been unanimous.

At their April 2016 meeting the Trustees voted to re-appoint Joe Greenwell as an independent and as Chairman of Trustees, and Ben Cussons (Club nominee) for a further term. There were no new trustee appointments in 2016. The Trustees keep potential appointment of new trustees as a standing item on their agenda.

With the approval of the Trustees, as cleared with the Charity Commission, the Chairman receives £36,000 remuneration per annum. Also with the approval of Trustees, David Bayliss undertakes remunerated research work for the Foundation, invoiced by the day at an agreed daily rate, totalling £11,362 in 2016.

The Foundation's pay policy for staff is approved as part of the annual budget setting process in November each year. The Trustees separately consider and decide the Director's remuneration and bonus entitlement.

The Investment Sub-Committee comprises Ben Cussons (Chair), David Bayliss and Stephen Hammerton, with the Foundation's director as secretary advised by Barnett Waddingham. The Sub-Committee oversaw the process to migrate the expendable endowment to new fund managers in 2016.

The Trustees are assisted in the discharge of their duties by two informal committees:

- the Public Policy Committee (PPC) – comprising the Trustees and members who the Trustees have appointed in recognition of the perspectives and expertise they can offer on motoring and road policy. PPC members receive no remuneration. The PPC meets three times a year; and
- The Research Advisory Group (RAG) – comprising the Chair of Trustees, David Bayliss, and members invited by the Trustees in recognition of the perspectives and expertise they can offer on potential areas of and approaches to the Foundation's research commissions. RAG members receive no remuneration. The RAG meets three times a year.

A system is in place to alert Trustees of the Foundation to their legal responsibilities and to ensure that they are eligible to act in such capacity. New Trustees are briefed on their roles as Trustees and asked to sign various pro-formas to draw their attention to their duty to comply with charity and company law and to act in the interests of the Foundation even when this may conflict with personal or other interests. Induction sessions are held to inform Trustees of the scope, objects and activities of the Foundation.

Office administration

The Foundation contracts with the Royal Automobile Club for the provision of office accommodation, IT support, payroll management and BACS. The Club also affords the Foundation the equivalent of corporate membership, through which the Foundation is able to book the Club's conference and catering facilities, which are then recharged at the Club's standard rates.

Risk Management

The Director refreshed the Foundation risk register periodically through 2016 and reported to the Trustees as part of the annual business planning process. The review highlights four key risks, and associated mitigations (accuracy of Foundation output; staff turnover; financial viability; interruption of service e.g. IT system failure). The review also confirmed the adequacy of processes in hand to mitigate the risk of fraud, which is assessed to be low.

**ROYAL AUTOMOBILE CLUB FOUNDATION FOR MOTORING LIMITED
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**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2016**

Related parties and co-operation with other organisations

The Foundation maintains a register of potential conflicts of interest of the Trustees. No funds were held as custodian trustee on behalf of others.

The Foundation has worked in partnership with various other bodies to run events during the year, including the BVRLA, DVSA and the Department of Transport.

In recognition of the historical association between the Royal Automobile Club, the RAC motoring services company and the Foundation, the three share the costs of an annual Winter Reception at the Club's Pall Mall premises. This event is an important part of the Foundation's outreach to the individuals and organisations who have worked with or for the Foundation over the course of the year. The Trustees do not consider either the Royal Automobile Club or the RAC motoring services business to constitute 'related parties' for accounting purposes.

Trustees' responsibilities in relation to the financial statements

The Foundation Trustees (who are also the directors of the Royal Automobile Club Foundation for Motoring Limited for the purposes of company law) are responsible for preparing a Report of the Trustees and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial 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, including the income and expenditure, of the charitable company for that period. In preparing the financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK 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 charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company 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 as to disclosure to our auditors

In so far as the Trustees are aware at the time of approving our Trustees' annual report:

- there is no relevant information of which the charitable company's auditor is unaware, and

**ROYAL AUTOMOBILE CLUB FOUNDATION FOR MOTORING LIMITED
(BY GUARANTEE)**

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2016**

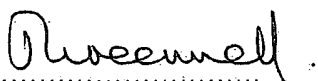
- the Trustees have each taken all steps that they are obliged to take as a trustee in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Saffery Champness LLP as auditors to the Foundation will be proposed at the Annual General Meeting.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

By order of the Board of Trustees



J Greenwell CBE DL

Chairman

24 April 2017

**ROYAL AUTOMOBILE CLUB FOUNDATION FOR MOTORING LIMITED
(BY GUARANTEE)**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements of Royal Automobile Club Foundation for Motoring Limited (by guarantee) for the year ended 31 December 2016 set out on pages 13 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

This report is made solely to the company's members and the Trustees, 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 and Trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the company's members and Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities in relation to the financial statements, the Trustees (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2016 and of the charity's 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 and the Charities Act 2011.

Opinion on other requirement of the Companies Act 2006

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

- the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report have been prepared in accordance with applicable legal requirements.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 require us to report to you if, in our opinion:

- the charity has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to take advantage of the small companies exemption in preparing the Report of the Trustees and the Strategic Report.

L.Hazell

.....
Liz Hazell
For and on behalf of Saffery Champness LLP

Saffery Champness LLP
Chartered Accountants
Statutory Auditors
71 Queen Victoria Street
London
EC4V 4BE

Date: 30 May 2017

**ROYAL AUTOMOBILE CLUB FOUNDATION FOR MOTORING LIMITED
(BY GUARANTEE)**

**STATEMENT OF FINANCIAL ACTIVITIES (incorporating the income and expenditure account)
FOR THE YEAR ENDED 31 DECEMBER 2016**

	NOTE	Unrestricted Funds £	Expendable Endowment £	2016 Total £	2015 Total £
Income from					
Investments	2	500,549	-	500,549	835,262
Expenditure on:					
Raising funds		-	45,487	45,487	35,887
Charitable activities					
- Research into issues relating to roads and their users	3,5	804,456	-	804,456	770,316
Total Expenditure		804,456	45,487	849,943	806,203
Net gains/(losses) on investments	8	-	3,941,342	3,941,342	(358,014)
Net (expenditure)/income for the year		(303,907)	3,895,855	3,591,948	(328,955)
Transfers between funds	11	200,000	(200,000)	-	-
Net movement in funds		(103,907)	3,695,855	3,591,948	(328,955)
Reconciliation of funds:					
Brought forward 1 January 2016		4,113,907	24,412,913	28,526,820	28,855,775
Carried forward 31 December 2016	11,12	4,010,000	28,108,768	32,118,768	28,526,820

The Statement of Financial Activities includes all gains and losses recognised in the year.
All incoming resources derive from continuing activities.

The notes on page 16 to 23 form part of these financial statements.

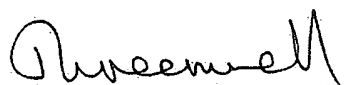
**ROYAL AUTOMOBILE CLUB FOUNDATION FOR MOTORING LIMITED
(BY GUARANTEE)**


**BALANCE SHEET
31 DECEMBER 2016**

	Note	2016 £	2015 £
Fixed Assets			
Tangible fixed assets	7	10,606	15,106
Investments	8	<u>32,156,883</u>	<u>28,361,406</u>
		32,167,489	28,376,512
Current Assets			
Debtors	9	23,093	123,908
Cash at bank and in hand		<u>225,828</u>	<u>309,333</u>
		248,921	433,241
Creditors: Amounts falling due within one year	10	<u>(297,642)</u>	<u>(282,933)</u>
Net current (liabilities)/assets		(48,721)	150,308
Net Assets		<u>32,118,768</u>	<u>28,526,820</u>
Funds			
Unrestricted funds	11	4,010,000	4,113,907
Expendable endowment funds	12	<u>28,108,768</u>	<u>24,412,913</u>
		<u>32,118,768</u>	<u>28,526,820</u>

The notes on pages 16 to 23 form part of these financial statements.

The financial statements were approved by the Trustees on 24 April 2017


J Greenwell CBE DL
Chairman


B Cussons
Trustee

Company Registration No. 2596548 (England and Wales)

**ROYAL AUTOMOBILE CLUB FOUNDATION FOR MOTORING LIMITED
(BY GUARANTEE)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	<u>2016</u> £	<u>2015</u> £
Net cash used in operating activities (A)	1	(729,919)	(797,627)
<u>Cash flows from investing activities</u>			
Purchases of tangible assets		-	(7,569)
Purchases of investments		(34,865,283)	(821,212)
Investment income received		500,549	835,262
Proceeds from disposal of investments		35,011,148	960,000
Net cash from investing activities (B)		<u>646,414</u>	<u>966,481</u>
Net increase in cash & cash equivalents (A+B)		(83,505)	168,854
Cash and cash equivalents at the beginning of the year		309,333	140,479
Cash and cash equivalents at end of the year		<u>225,828</u>	<u>309,333</u>

Notes to the cash flow statement

1. Reconciliation of net movement in funds to net cash flow from operating activities	2016 £	2015 £
Net movement in funds	3,591,948	(328,955)
Add back depreciation charge	4,500	4,342
Deduct investment income	(500,549)	(835,262)
(Deduct)/add back (gain)/loss on investments	(3,941,342)	358,014
Decrease/(increase) in debtors	100,815	(10,417)
Increase in creditors	14,709	14,651
Net cash used in operating activities	<u>(729,919)</u>	<u>(797,627)</u>

The notes on pages 16 to 23 form part of these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. Accounting convention

The accounts (financial statements) have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Companies Act 2006 and the Charities Act 2011.

The Foundation constitutes a public benefit entity as defined by FRS 102.

The Trustees consider that there are no material uncertainties about the Foundation's ability to continue as a going concern.

1.1. Income

Investment income is accounted for on a receivable basis.

1.2. Expenditure

Expenditure is included in the Statement of Financial Activities on an accruals basis, inclusive of VAT which cannot be recovered. Costs of raising funds comprise those costs directly attributable to managing the investment portfolio and raising investment income. Other direct, support and governance costs are allocated to charitable activities as they are incurred. These costs were previously allocated across the range of projects but relate to the one charitable activity of research.

1.3. Tangible fixed assets and depreciation

Items purchased are capitalised when they cost over £250 and have ongoing value to the Foundation.

Depreciation is provided at the following rates to write off the cost of each asset over its expected useful life:

Office equipment - 3 to 10 years

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1.4. Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year.

The Foundation does not acquire put options, derivatives or other complex financial instruments. The main form of financial risk faced by the Foundation is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub sectors.

1.5. Realised gains and losses

All gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value. Realised and unrealised investment gains and losses are combined in the Statement of Financial Activities.

1.6. Funds

Expendable endowment fund (see note 12)

This represents the original donation in 1998 at the time the Foundation was set up, as adjusted for subsequent movements in investment values, investment management costs and any expenditure of the endowment. This fund can be retained as capital or used at the Trustees' discretion for any purpose within the Foundation's objects.

Unrestricted income fund

This represents accumulated unspent income and can be used at the Trustees' discretion for any purpose within the Foundation's objects.

1.7. Pensions

Retirement benefits to employees are funded by contributions from both the Foundation and employees, administered through the Royal Automobile Club pension scheme; a multi-employer scheme. Contributions to the scheme are on a defined contribution basis, and are charged to the statement of financial activities in the year in which they are incurred.

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1.8. Financial instruments

The Foundation has financial assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are recognised initially in the accounts at transaction price, including any transaction costs. At the end of each accounting period, basic financial instruments are recognised at amortised cost. For debt instruments this is calculated using the effective interest rate method.

1.9. Critical estimate and judgements and key sources of estimation uncertainty

In the application of the Foundation's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods. The Trustees consider that there are no areas of estimation uncertainty, and no critical estimates were required to prepare the financial statements.

2. Investment income	2016	2015
	£	£
Dividends receivable	500,403	835,086
Interest receivable	146	176
	<u>500,549</u>	<u>835,262</u>
3. Charitable activities	Total	Total
	2016	2015
	£	£
Direct Costs	147,408	84,152
Staff Costs	418,436	417,023
Support Costs	232,612	263,141
Governance costs (note 4)	6,000	6,000
	<u>804,456</u>	<u>770,316</u>
4. Governance costs	2016	2015
	£	£
Audit fees	6,000	6,000
Professional and legal fees	-	-
	<u>6,000</u>	<u>6,000</u>

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5. Staff costs and advisor fees	2016	2015
	£	£
Wages and salaries	359,482	347,227
Social security costs	41,181	39,560
Employer's pension costs	17,773	30,236
	<u>418,436</u>	<u>417,023</u>
Number of employees earning between:		
£70,000 - £79,999	1	1
£100,000 - £109,999	-	1
£180,000 - £189,999	<u>1</u>	<u>-</u>

Contributions of £7,023 (2015: £7,203) were made to the group personal pension scheme on behalf of the highest paid employees.

The following trustees have been paid these amounts in respect of specialist adviser fees:

	2016	2015
	£	£
David Bayliss	11,362	11,250
Joe Greenwell	36,000	36,000

The key management personnel of the Foundation comprise the Trustees and the Director. The total employment benefits of the key management personnel, including any relevant pension contributions, were £236,641 (2015: £206,659).

Staff numbers

The average number of full-time equivalent employees during the year was made up as follows:

	2016	2015
	£	£
Director	1	1
Administration and support	-	1
Campaigns and research	5	5
	<u>6</u>	<u>7</u>

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6. Net movement in funds for the year	2016	2015
	£	£
This is stated after charging:		
Depreciation	4,500	4,342
Auditors' remuneration - for audit	6,000	6,000
7. Tangible fixed assets		Office equipment
		£
Cost		
Brought forward 1 January 2016		53,319
Additions		-
Carried forward 31 December 2016		53,319
Depreciation		
Brought forward 1 January 2016		38,213
Charge for year		4,500
Carried forward 31 December 2016		42,713
Net book value		
as at 31 December 2016		10,606
as at 31 December 2015		15,106
8. Investments	2016	2015
	£	£
Managed and unitised funds		
Market value at 1 January	28,361,406	28,858,208
Additions at cost	34,865,283	821,212
Disposals	(32,269,289)	(960,000)
Investment gains/(loss)	1,199,483	(358,014)
Market value at 31 December	32,156,883	28,361,406
Historical cost	30,957,401	15,393,143

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NOTES TO THE FINANCIAL STATEMENTS
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8. Investments continued		
Investments considered material in the context of the market value of the portfolio	2016	2015
	£	£
PS II Dynamic Asset Allocation Fund	16,009,013	-
Goldman Sachs Sterling Liquid Reserves	4,600,000	-
CAF UK Equitrack Fund	-	13,592,289
All Stocks Gilt Index Trust	-	5,919,638
International Index Trust	-	5,396,271
Sterling Corporate Bond Interest Trust	-	2,957,011
All investments are carried at their fair value. The basis of fair value for quoted investments is equivalent to the market value, using the bid price.		
9. Debtors	2016	2015
	£	£
Interest and dividends receivable	12,582	77,871
Prepayments	10,511	45,599
Other debtors	-	438
	<u>23,093</u>	<u>123,908</u>
10. Creditors	2016	2015
	£	£
Accruals	297,642	282,933
	<u>297,642</u>	<u>282,933</u>
11. Unrestricted funds	2016	2015
	£	£
Balance at 1 January	4,113,907	4,048,961
Net expenditure for the year	(303,907)	64,946
Transfer from expendable endowment fund	200,000	-
Balance at 31 December	<u>4,010,000</u>	<u>4,113,907</u>

The transfer from the expendable endowment funds represents monies drawn down from an accumulating investment fund held as part of the Foundation's investment portfolio.

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12. Expendable endowment funds	2016 £	2015 £
Balance at 1 January	24,412,913	24,806,814
Net income for the year	3,895,855	(393,901)
Transfer to unrestricted funds (see note 11)	(200,000)	-
Balance at 31 December	<u>28,108,768</u>	<u>24,412,913</u>

The funds include unrealised gains of £1,199,483 (2015: £12,968,264).

13. Analysis of net assets between funds	Unrestricted funds £	Endowment funds £	Total £
Tangible fixed assets	10,606	-	10,606
Investments	4,048,115	28,108,768	32,156,883
Current assets	248,921	-	248,921
Liabilities	(297,642)	-	(297,642)
Balance at 31 December 2016	<u>4,010,000</u>	<u>28,108,768</u>	<u>32,118,768</u>

14. Related parties

There were no related party transactions except those transactions with the Trustees in note 5 above.

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**NOTES TO THE FINANCIAL STATEMENTS
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15. Analysis of statement of financial activities, year ended 31 December 2015

	Unrestricted Funds £	Endowment Funds £	2015 Total £
Income from			
Investments	835,262	-	835,262
Expenditure on:			
Raising funds	-	35,887	35,887
Charitable activities - Research into issues relating to roads and their users	770,316	-	770,316
Total Expenditure	770,316	35,887	806,203
Net (losses)/gains on investments	-	(358,014)	(358,014)
Net (expenditure)/income for the year	64,946	(393,901)	(328,955)
Reconciliation of funds:			
Brought forward 1 January 2015	4,048,961	24,806,814	28,855,775
Carried forward 31 December 2015	4,113,907	24,412,913	28,526,820

16. Limitation of liability

Every member (being the Trustees of the Foundation) guarantees £1 in the event of the Foundation being wound up while they are a member and for the year after they cease to be a member.