

# Denise Coates Foundation

(A company limited by guarantee)

## REPORT AND FINANCIAL STATEMENTS

27 March 2016



Company Registration No. 08191619  
Registered Charity No. 1149110

# Denise Coates Foundation

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# Denise Coates Foundation

## LEGAL AND ADMINISTRATIVE INFORMATION

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### LEGAL AND ADMINISTRATIVE INFORMATION

Charity Number: 1149110

Company Number: 08191619

Trustees/Company Directors: D Coates CBE  
JF Coates  
P Coates  
SJ Adlington  
S Galletley  
J White

Auditor: RSM UK Audit LLP, Festival Park, Stoke-on-Trent, ST1 5BB

Banker: Barclays Bank  
Pall Mall Corporate Banking Centre  
Pall Mall Corporate Group  
50 Pall Mall  
London

Investment Manager: Goldman Sachs International  
River Court  
120 Fleet Street  
London  
EC4A 2BE

Registered Office: bet365 House, Media Way, Stoke-on-Trent, ST1 5SZ

Status: Denise Coates Foundation is a company limited by guarantee. It is a registered charity and governed by the provisions of its Memorandum and Articles of Association dated 24 August 2012 as amended by special resolution on 30 November 2012 and 4 February 2016.

Name: On 12 February 2016 the Foundation changed its name from bet365 Foundation to Denise Coates Foundation.

# Denise Coates Foundation

## REPORT OF THE TRUSTEES INCLUDING STRATEGIC REPORT

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The Trustees are pleased to present their report together with the financial statements of the charitable company ("the Foundation") for the period ended 27 March 2016.

### PRINCIPAL ACTIVITIES

The principal activity of the Foundation is the provision of funding to charities that will use the resources to enrich the lives of those that they exist to support.

### STRUCTURE, GOVERNANCE AND MANAGEMENT

#### **Governing document**

Denise Coates Foundation is a company limited by guarantee and does not have any share capital. It is a non-profit making organisation and registered charity governed by its Memorandum and Articles of Association dated 24 August 2012 as amended by special resolution on 30 November 2012 and 4 February 2016. In the event of the company being wound up members are required to contribute an amount not exceeding £10.

#### **Organisational structure**

All decisions regarding management of the Foundation and the distribution of its funds are made by the Trustees. The Foundation has no employees and is not charged for the Trustees' time.

A review system is in place to monitor the bank accounts and to reconcile all transactions back to Trustee approved charitable donations.

#### **Appointment of Trustees**

The skill set of the Board of Trustees is frequently reviewed and compared to the requirements of the Foundation to achieve its objectives. Where there are gaps the Trustees seek to make appropriate appointments of individuals with the required skills and experiences.

#### **Trustee induction and training**

It is the intention that all new Trustees will attend an induction meeting with one of the existing Trustees, observing how the Foundation's objectives are achieved. Should any additional specialised training be required then appropriate training arrangements will be put in place.

### OBJECTIVES AND ACTIVITIES

#### **The objectives of the charity and strategies employed to achieve the objective**

The Foundation's aim is to promote such charitable purposes anywhere in the world for the public benefit as are exclusively charitable according to the laws of England and Wales as the Trustees may in their absolute discretion determine, in particular but not exclusively through the provision or assistance in the provision of facilities for the promotion of community participation in healthy recreation.

#### **Grant making policy**

Charities are invited to present proposals to the Foundation's Trustees detailing how a donation would be used and the benefits that it would deliver. The Trustees assess how the proposal aligns to the Foundation's objectives in order to determine whether or not to grant a donation.

# Denise Coates Foundation

## REPORT OF THE TRUSTEES INCLUDING STRATEGIC REPORT

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### ACHIEVEMENTS AND PERFORMANCE

#### **Public Benefit**

The Trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing Denise Coates Foundation's aims and objectives and planning future activities. In particular, the Trustees consider how planned activities will contribute to the aims and objectives that have been set.

The Trustees believe that the Foundation meets the principles relating to charities and public benefit described in the Charity Commission guidance and that this Trustees' Annual Report demonstrates the Foundation's contribution.

#### **Related parties**

The Foundation received a donation from Hillside (Shared Services) Limited during 2015/16. Two of the Foundation's Trustees are Directors of Hillside (Shared Services) Limited and three of the Trustees are Directors of Hillside (Shared Services) Limited's ultimate holding company, bet365 Group Limited, which is under the control of Denise Coates CBE. Therefore this is deemed to be a related party.

#### **Risk management**

The Trustees acknowledge their responsibility for managing risk. They will regularly review the risk management process adopted and will amend procedures as and when it is deemed necessary.

### FUTURE PLANS

The Foundation continues to review applications for funding and will continue to provide donations that meet its charitable objectives.

# Denise Coates Foundation

## REPORT OF THE TRUSTEES INCLUDING STRATEGIC REPORT

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### STRATEGIC REPORT

#### Achievements and performance

In the 2015/16 financial year the Foundation provided £2.0m of grants and donations to 18 charitable entities, 14 of which each received donations totalling more than £20,000. As at 27 March 2016 unconditional commitments to provide £1.5m of donations were in place. The Foundation is waiting for notification that the Charities wish to drawdown and use the funds.

In addition the Foundation conditionally agreed to provide in excess of £1m funding to support 3 separate programmes.

The Foundation gifted significant funds to support charitable activities locally, nationally and internationally through UK registered charities. Examples of how the Foundation's charitable giving has/will be used are provided below.

- Health and Welfare

Locally the Foundation has donated to two charities (hospices) that provide life enriching front-line support to individuals and their families suffering with progressive terminal illness. One of the organisations focuses upon care and support for children and the other on care and support for adults. The care provided by the hospices extends beyond the provision of medical care with services/facilities intended to maximise quality of life and to provide support for all those affected by an individual's illness. In both instances the funding was targeted directly to the front-line activities undertaken by each of the organisations.

A grant was provided to support a charity providing deafblind people with potentially life changing technology that enhances an individual's ability to communicate and interact with the wider world.

Internationally, funding to support the second year of the two year "Cleaner Living in Liberia" project meant that the Foundation was the "sole funder" for the whole project which is delivering, and will continue to deliver safe water, improved sanitation, hygiene and understanding of public health for those living in one of the slum districts of Liberia's capital, Monrovia. It is anticipated that around two hundred and fifteen thousand people will benefit directly from the delivery of this project with a further three hundred thousand people benefitting indirectly.

# Denise Coates Foundation

## REPORT OF THE TRUSTEES INCLUDING STRATEGIC REPORT

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- Education and Training

Education is the key to an individual achieving their full potential therefore access to education is of paramount importance. Through no fault of their own some people face greater barriers than most. The Foundation is therefore committed to trying to make a difference, giving people an opportunity to realise their potential by helping to “level the playing field”. In 2015/16 this area of funding was the main focus for the Foundation.

During the year the Foundation provided a financial commitment to a programme intended to improve GCSE Mathematics attainment rates in Stoke-on-Trent Schools. The Foundation agreed to “match fund” the City Council’s commitment, recognising the clear public benefit that would arise from raising education standards and qualification attainment.

Building upon grant activity undertaken in previous years, the Foundation again committed to providing funding to two local universities. As with previous funding commitments the stipulation is that the donations are to be used to support students with disadvantaged backgrounds who come from the Stoke-on-Trent area. Each of the institutions will use the funding to provide bursaries for first year undergraduates.

In 2015/16 the Foundation expanded its commitment to support access to higher education for those with disadvantaged backgrounds by providing grants/commitments to support bursaries for undergraduates at a further two UK universities.

The Foundation again provided funding to a charity project operating in sub-Saharan Africa delivering training and support to women infected with HIV/AIDS. In 2015/16 it provided funding to support the development of five “Learning and Innovation Generating High Impact Teaching Sites” in South Africa where support programmes, teaching methods and treatment innovations can be developed and honed before being rolled out across all of the Charity’s operations in sub-Saharan Africa. The Foundation has met the funding requirement for the first year of this programme, across all five sites, in full. In addition the Foundation has given a conditional commitment to provide full programme funding for a further two years, subject to the Charity demonstrating that certain key, defined, deliverables have been achieved.

In 2014/15 the Foundation unconditionally committed to providing funding to support the development of a school to be based in Bo, Sierra Leone. Unfortunately, the project, which aims to provide severely disadvantaged children with access to education and training, was delayed as a consequence of the devastating Ebola epidemic. Whilst the situation has improved dramatically, the delivery of the project is still being hampered by travel restrictions. The result being that the UK based implementation team cannot travel to Bo. The Foundation remains committed to supporting this project which will, when fully operational, deliver a facility capable of accommodating up to 200 pupils.

- Medical Research and Development

The Trustees recognise the need for medical research to advance treatments and to potentially deliver cures for diseases and conditions that can have a devastating impact upon individuals suffering directly and those close to them.

In the year the Foundation provided funding to support research into finding a cure for deafness caused by Cochlear nerve damage. In addition, the Foundation conditionally approved funding to support research into common and high impact ailments that can affect older people.

# Denise Coates Foundation

## REPORT OF THE TRUSTEES INCLUDING STRATEGIC REPORT

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- **Disaster Recovery/Emergency Relief**

In the immediate aftermath of the devastating 2015 earthquake in Nepal the foundation provided a donation of £100,000 to support the “on-the-ground” emergency relief efforts.

- **Arts and Culture**

The Arts, for many, are a life enriching source of pleasure, education and inspiration and to this end the Foundation has made significant donations.

The Foundation delivered upon its prior year commitment to support a local theatre’s investment in the development of its facilities. Nationally, the Foundation has provided funding to support easier access and learning through exposure to “the Arts”.

### **Financial review**

A Statement of the Financial Activities of the charity is given on page 11. The total incoming resources for the period were derived from interest and investment returns of £1,529,786 and a charitable donation of £20,000,000 resulting in total incoming resources of £21,529,786 (2015: £11,135,150). During the Financial Year £3,228,160 (2015: £4,143,727) was expended/committed to charitable giving. After allowing for governance costs of £78,068 (2015: £14,098) there was £129,480,829 (2015: £118,071,965) of funds carried forward to the following financial year for application in pursuance of the charitable objectives of the Foundation.

At the end of the Financial Year there was £1,482,026 of outstanding unconditional commitments in relation to eleven donations/grants committed but not made as at the Balance Sheet date. In the view of the Trustees the funds held at 27 March 2016 were available and adequate to fulfil its existing obligations.

### **Donation**

On 21 March 2016 the Foundation received a donation of £20,000,000 reported within the Financial Statements as Endowment Funds. This sum will be held as an expendable endowment and held as a long-term investment, the return from which, in excess of annual inflation, will be distributed to support charities/charitable activities that align to the objectives of the Foundation.

As at the balance sheet date the £20,000,000 donation received on 21 March 2016 was held in an interest bearing current account ahead of the funds being transferred to, and invested by, an investment management company with a long standing track record of funds management.

### **Plans for future periods**

The charity continues to review applications for funding and will continue to provide donations that meet its charitable objectives.

### **Events After The Reporting Period**

On 13 May 2016, the Foundation Board of Trustees at its discretion agreed to transfer £2.5m from the Endowment Fund to the General Fund to make available further funds for grant payments. If this had been actioned before the year end the General Fund would have been disclosed at a value of £6,412,745 available for distribution as grants in 2016/17.



# Denise Coates Foundation

## REPORT OF THE TRUSTEES INCLUDING STRATEGIC REPORT

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### Investment policy

The Trustees' investment policy is to maintain the real value of the Endowment Fund through a strategic balance of equity risk and fixed income return, consistent with its reserves policy with the excess funds over and above annual RPI inflation being transferred to Unrestricted Funds. The expendable endowment funds are managed as a balanced "moderate" risk portfolio on a discretionary basis to achieve the Trustees' investment goals to maximise the portfolios return within the constraints of the mandate granted by the Trustees.

### Investment performance

As at 27 March 2016 the total investment portfolio stood at £110,606,633 net of accrued investment management charges (2015: £107,159,599), £3,447,034 higher than at the end of the previous Financial Year. However, since 29 March 2015 a further £10,000,000 was added to the Endowment Fund element of the investment portfolio by way of additional investment and £1,250,000 was withdrawn from the Unrestricted Funds part of the portfolio to fund grant/donation distribution, net addition to the overall portfolio £8,750,000.

Taking in year additions to the investment portfolio into account, over the financial year, the investment portfolio has returned an investment loss of £5,302,966, 4.6%. The portfolio performance is hardly surprising given the declines seen in equity markets over the 12 months to the end of March 2016, the FTSE 100 fell 11.4% over the period, returning a loss of 7.2% including dividends. Over the 12 month period, since March 2015, the combined balanced benchmark, which comprises of a combination of indices, returned a loss of 0.6%. Despite the fund's in-year performance the Trustees believe that over the long-term the investment objective will be achieved and that the losses reflect general market conditions.

As at 27 March 2016 the value of the Endowment Fund element of the investment portfolio was £105,568,084 net of accrued investment management charges. Over the course of the Financial Year the Endowment Fund returned a loss of £5,331,866, 4.9%. The UK annual inflation rate, RPI, was 1.6% for March 2016 therefore the Investment Portfolio did not deliver growth in excess of annual inflation.

### Reserves policy

The policy of the Trustees is to maintain the real value of the Endowment but otherwise to distribute all the Foundation's realised income and gains within a reasonable period. This policy should allow the Foundation to operate on an enduring basis without being dependent upon donations from any particular source. The Trustees have reviewed the reserves policy and have agreed that the level of reserves is assessed annually in order to mitigate current and future risks as well as enabling Denise Coates Foundation to achieve its objectives. As at 27 March 2016, the actual reserves were £129,480,829 (2015: £118,071,965).

As at 27 March 2016 there was no excess return, over and above annual RPI inflation.

### Principal risks and uncertainties

The principal risk faced by the Foundation is the erosion of the value of its long-term investment. The Trustees are satisfied that the investment management company has sufficiently demonstrated that it has the expertise to manage the investment of the Endowment Fund in accordance with the Trustees requirements. In addition the Trustees will be provided with sufficient financial data to enable them to assess the ongoing performance of the investment. The Trustees keep the investment management company's performance under ongoing review.

# Denise Coates Foundation

## REPORT OF THE TRUSTEES INCLUDING STRATEGIC REPORT

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### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has then been communicated to the auditor.

### AUDITOR

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), Chartered Accountants, were appointed auditors by the company on 2 September 2013. Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and therefore RSM UK Audit LLP will continue in office.

The Report of the Trustees and Strategic Report were approved by the Trustees and signed on their behalf by:



**Denise Coates CBE**  
Director and Trustee

14<sup>th</sup> September 2016

# Denise Coates Foundation

## STATEMENT OF TRUSTEES' RESPONSIBILITIES

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The Trustees (who are also directors of Denise Coates Foundation for the purposes of company law) are responsible for preparing the Report of the Trustees including the Strategic Report and the 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 period which give a true and fair value 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 these 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;
- 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 charitable company 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DENISE COATES FOUNDATION

We have audited the financial statements of Denise Coates Foundation for the period ended 27 March 2016 on pages 11 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

### Respective responsibilities of trustees and auditor

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

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

### 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](http://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 charitable company's affairs as at 27 March 2016 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

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

In our opinion the information given in the Strategic Report and the Trustees' Report for the financial period 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:

- the charitable company has not kept adequate 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.

*RSM UK Audit LLP*

ROGER DAVIES BA, FCA (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor  
Chartered Accountants

Festival Way  
Stoke-on-Trent  
Staffordshire  
ST1 5BB

*15 September* 2016

# Denise Coates Foundation

## STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT)

for the 52 weeks ended 27 March 2016

	Note	Endowment Fund	Unrestricted Funds	Total Funds Period ended 27 March 2016	Total Funds Period ended 29 March 2015
		£	£	£	£
<b>INCOME AND ENDOWMENTS:</b>					
<i>Donations;</i>					
Gift of expendable endowment	1	20,000,000	-	<b>20,000,000</b>	10,000,000
Investment income	2	1,482,828	46,958	<b>1,529,786</b>	1,135,150
<b>TOTAL INCOME</b>		<b>21,482,828</b>	<b>46,958</b>	<b>21,529,786</b>	<b>11,135,150</b>
<b>EXPENDITURE</b>					
Investment manager costs		331,527	-	<b>331,527</b>	292,769
Charitable activities	3	-	3,306,228	<b>3,306,228</b>	4,157,825
<b>TOTAL EXPENDITURE</b>		<b>(331,527)</b>	<b>(3,306,228)</b>	<b>(3,637,755)</b>	<b>(4,450,594)</b>
<b>NET INCOME/(EXPENDITURE) BEFORE GAINS AND LOSSES ON INVESTMENTS</b>		<b>21,151,301</b>	<b>(3,259,270)</b>	<b>17,892,031</b>	<b>6,684,556</b>
Net (losses)/gains on investment assets		(6,483,167)	-	<b>(6,483,167)</b>	6,348,816
<b>NET INCOME/(EXPENDITURE) AND NET MOVEMENT IN FUNDS</b>		<b>14,668,134</b>	<b>(3,259,270)</b>	<b>11,408,864</b>	<b>13,033,372</b>
<i>Reconciliation of funds</i>					
Total funds brought forward		110,899,950	7,172,015	<b>118,071,965</b>	105,038,593
<b>TOTAL FUNDS CARRIED FORWARD</b>	10	<b>125,568,084</b>	<b>3,912,745</b>	<b>129,480,829</b>	<b>118,071,965</b>

All income and expenditure derive from continuing activities.

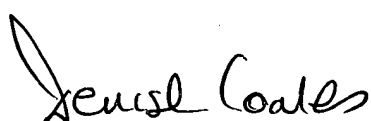
# Denise Coates Foundation

## BALANCE SHEET

At 27 March 2016

	Note	2016	2015
		£	£
<b>FIXED ASSETS</b>			
Investments	6	<b>110,686,633</b>	107,238,917
<b>TOTAL FIXED ASSETS</b>		<b>110,686,633</b>	107,238,917
<b>CURRENT ASSETS</b>			
Debtors: Amounts falling due within one year	7	<b>8,865</b>	19,940
Cash at bank and in hand		<b>20,382,471</b>	11,302,626
<b>TOTAL CURRENT ASSETS</b>		<b>20,391,336</b>	11,322,566
CREDITORS: Amounts falling due within one year	8	<b>(1,445,940)</b>	(489,518)
<b>NET CURRENT ASSETS</b>		<b>18,945,396</b>	10,833,048
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>129,632,029</b>	118,071,965
CREDITORS: Amounts falling after one year	9	<b>(151,200)</b>	-
<b>TOTAL NET ASSETS</b>		<b>129,480,829</b>	118,071,965
<b>THE FUNDS OF THE CHARITY</b>			
<b>UNRESTRICTED FUNDS</b>			
General funds	10	<b>3,912,745</b>	7,172,015
ENDOWMENT FUND	10	<b>125,568,084</b>	110,899,950
<b>TOTAL CHARITY FUNDS</b>	11	<b>129,480,829</b>	118,071,965

The financial statements on pages 11 to 26 were approved by the board and authorised for issue on **14<sup>th</sup> September** 2016 and were signed on its behalf by:



**Denise Coates CBE**  
Director and Trustee

Company Registration No. 08191619  
Registered Charity No. 1149110

# Denise Coates Foundation

## STATEMENT OF CASH FLOWS

for the 52 weeks ended 27 March 2016

	Note	27 March 2016	29 March 2015
		£	£
NET CASH PROVIDED BY OPERATING ACTIVITIES	12	17,800,712	6,246,675
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		29,133	11,658
Net cash provided by investing activities		29,133	11,658
CASH FLOW FROM FINANCING ACTIVITIES			
Expendable endowment		(10,000,000)	(100,000,000)
Transfer from investment		1,250,000	-
Net cash used in financing activities		(8,750,000)	(100,000,000)
CHANGE IN CASH AND CASH EQUIVALENTS IN THE PERIOD		9,079,845	(93,741,667)
Cash and cash equivalent at the beginning of the period		11,302,626	105,044,293
Total cash and cash equivalent at the end of the period		20,382,471	11,302,626

In 2016 cash held on the balance sheet included £20,000,000 (2015: £10,000,000) relating to cash in transit prior to investment in the endowment investments.

# Denise Coates Foundation

## ACCOUNTING POLICIES

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The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Foundation's financial statements.

### LEGAL STATUS OF THE TRUST

The Trust is a company limited by guarantee and has no share capital. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £10 per member of the charity.

### BASIS OF PREPARATION

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.

Denise Coates Foundation meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

### RECONCILIATION WITH PREVIOUS GENERALLY ACCEPTED ACCOUNTING PRACTICE

In preparing the financial statements, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 a restatement of comparative items was needed. No restatements were required. In accordance with the requirements of FRS 102 a reconciliation of opening balances and net income for the period is provided with the net income under previous GAAP adjusted for the presentation of investment gains as a component of reported income.

### RECONCILIATION OF REPORTED NET INCOME

	£
net income/(expenditure) before gains and losses on investments as previously stated	6,684,556
Adjustment for net gains on investment assets now treated as a component of net income	6,348,816
	<hr/>
2015 net income as restated	13,033,372
	<hr/>

Governance costs in 2015 of £14,098 are now disclosed as a support cost allocated in charitable expenditure.

### GOING CONCERN

The Trustees have confirmed that they will continue to support the Foundation via donations from the related party. In addition, to ensure the Foundation can operate on an enduring basis the Trustees have a policy to maintain the real value of the Endowment received in the period and to distribute from the realised gains in future periods. The Trustees believe there are adequate resources which will enable the Foundation to meet its liabilities as they fall due for the foreseeable future. For this reason, the Trustees have adopted the going concern basis in preparing the financial statements.

### ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost accounting rules except for the valuation of investments and are in accordance with applicable accounting standards.



# Denise Coates Foundation

## ACCOUNTING POLICIES

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### INCOME RECOGNITION

All income is recognised once the charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Donations are recognised when the Trust has been notified in writing of both the amount and settlement date. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

Interest on funds held on deposits is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank. Dividends are recognised once the dividend has been declared and notification has been received of the dividend due. This is normally upon notification by our investment advisor of the dividend yield of the investment portfolio. Notional interest of 0.5% is allocated to the unrestricted funds, representing the unrestricted element of investments held in the investment fund.

### EXPENDITURE RECOGNITION

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis and includes attributable VAT which cannot be recovered. Expenditure has been classified under the appropriate heading but where costs cannot be directly attributed to particular headings (support costs); they have been allocated to activities on a basis consistent with the use of the resources.

Governance costs are those costs associated with the governance arrangements of the Foundation which relate to its general running. These include audit, insurance costs, and legal advice for Trustees and costs associated with constitutional and statutory requirements such as the costs of Trustee meetings and preparing the statutory financial statements, plus a share of support costs.

All costs are allocated between the expenditure categories of the statement of financial activities on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly.

### GRANTS

Grants payable are made by the charity based on formal applications and presentations to the trustees. Single or multi-year grants are accounted for when the recipient has a reasonable expectation that they will receive a grant and the trustees have agreed to pay the grant without condition. Grants awards that are subject to the recipient fulfilling performance conditions are only accrued when the recipient has been notified of the grant and any remaining unfulfilled condition attached to that grant has been satisfied.

### DONATIONS

Donations are payments made in the period to third parties but initiated by the trustees and are solely at the discretion of the trustees. Donations are not based on any formal application or set process. Donations are made to individuals and institutions by the trustees where the charity considers it is in furtherance of the charity's objectives.

### FUND STRUCTURE

#### *Unrestricted funds*

General accumulated funds are unrestricted funds available to the Foundation for its general purposes and include from time to time funds designated by the Foundation for particular purposes, the use of any such designated funds remaining at all times at the discretion of the Trustees.

# Denise Coates Foundation

## ACCOUNTING POLICIES

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### FUND STRUCTURE (continued)

#### *Expendable endowment fund*

The Foundation has an expendable endowment fund which comprises of gifts from Hillside (Shared Services) Limited. The income and capital of this endowment can be used by the trustees to finance their planned strategy of charitable grants, in accordance with the Foundation's objectives.

The return generated in the expendable endowment fund, in excess of annual RPI inflation, is transferred to the unrestricted funds in accordance with the agreed trustee policy.

### TAXATION

As a registered charity the Foundation is exempt from liability to corporation tax on its income from charitable activities and capital gains and no provision for taxation is therefore made.

### INVESTMENTS

Investments which form a basic financial instrument are initially recognised at their transaction value and subsequently measured at their fair value at the balance sheet date using the closing bid market price. The statement of financial activities includes the net gains and losses arising on revaluation and disposals throughout the period.

The fair value of the hedge fund investments is based on quoted market prices for the fund units using the current bid price.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

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 sale proceeds and opening market value.

Unrealised gains and losses are calculated as the difference between the market value at the period end and opening market value (or purchase date if later). Realised and unrealised gains and losses are not separated in the Statement of Financial Activities.

The main form of financial risk faced by the charity 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.

### FINANCIAL INSTRUMENTS

The Foundation only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

#### *Cash at bank and in hand*

Cash at bank and cash 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.

#### *Creditors and provisions*

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.

# Denise Coates Foundation

## ACCOUNTING POLICIES

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### GROSS TRANSFER

The Foundation has a policy with regard to transferring the total returns on the expendable endowment fund in each period, less the UK annual inflation rate, RPI, to the unrestricted funds. This policy is maintained to secure the long term capital base of the expendable endowment fund.

### CONTINGENT LIABILITIES

A contingent liability is identified and disclosed for those grants resulting from:

- a possible obligation which will only be confirmed by the occurrence of one or more uncertain future events not wholly within the trustees' control; or
- a present obligation following a grant offer where settlement is either not considered probable; or
- the amount has not been communicated in the grant offer and that amount cannot be estimated reliably.

# Denise Coates Foundation

## NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 27 March 2016

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### 1 INCOMING RESOURCES

#### *Expendable endowment donations*

The Foundation received donations during the period from Hillside (Shared Services) Limited which included £20,000,000 (2015: £10,000,000) allocated to expendable endowment funds.

### 2 INVESTMENT INCOME

	2016			
	Endowment fund £	Unrestricted fund £	Total 2016 £	Total 2015 £
Managed investments:				
Fixed interest – listed	60,904	1,187	<b>62,091</b>	76,305
Fixed interest – unlisted	482,932	9,412	<b>492,344</b>	345,730
Dividends – listed	473,520	9,229	<b>482,749</b>	382,360
Dividends – unlisted	458,072	8,928	<b>467,000</b>	243,418
Interest on cash	7,400	145	<b>7,545</b>	55,739
Bank interest on cash deposits	-	18,057	<b>18,057</b>	31,598
	<hr/>	<hr/>	<hr/>	<hr/>
	1,482,828	46,958	<b>1,529,786</b>	1,135,150
	<hr/>	<hr/>	<hr/>	<hr/>

In 2015 all income except bank interest on cash deposits of £31,598 was allocated to the endowment fund.

# Denise Coates Foundation

## NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 27 March 2016

### 3 RESOURCES EXPENDED

The charity undertakes its charitable activities through grant making and awarded grants to a number of individuals and institutions in furtherance of its charitable activities:

	Grant funding £	Support costs £	<b>Total Period ended 27 March 2016 £</b>	<b>Total Period ended 29 March 2015 £</b>
Charitable activity – donations	141,511	-	<b>141,511</b>	576,536
– grants	3,086,649	-	<b>3,086,649</b>	3,567,191
– governance costs	-	78,068	<b>78,068</b>	14,098
	<u>3,228,160</u>	<u>78,068</u>	<u><b>3,306,228</b></u>	<u>4,157,825</u>

During the period donations have been made to charities covering the following key areas of activity:

	<b>Total Period ended 27 March 2016 £</b>	<b>Total Period ended 29 March 2015 £</b>
Health and Welfare	-	27,976
Education and Training	<b>4,511</b>	512,560
Disaster Recovery/Emergency Relief	<b>100,000</b>	35,000
Community Development	<b>12,000</b>	1,000
Medical Research and Development	<b>25,000</b>	-
	<u><b>141,511</b></u>	<u>576,536</u>

Grants made during the period between institutions and individuals are as follows:

	<b>Period ended 27 March 2016</b>		<b>Period ended 29 March 2015</b>	
	<b>Grants to institutions £</b>	<b>Grants to individuals £</b>	<b>Grants to institutions £</b>	<b>Grants to individuals £</b>
Health and Welfare	<b>1,007,885</b>	-	1,804,941	-
Education and Training	<b>1,824,464</b>	-	480,000	-
Medical Research and Development	<b>200,000</b>	-	564,750	-
Community Development	-	-	50,000	-
Arts and Culture	<b>54,300</b>	-	667,500	-
	<u><b>3,086,649</b></u>	<u>-</u>	<u>3,567,191</u>	<u>-</u>

# Denise Coates Foundation

## NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 27 March 2016

### 3 RESOURCES EXPENDED (continued)

Recipients of institutional grant(s):

Institution	Funded Activity	No of donations	Total	
			£	£
Abbotsholme School	To support the development of facilities at the school, which will be used by the school, local community and for other charitable activities	1	444,000	
Douglas Macmillan Hospice	To run the Hospice's Day Therapy Unit for 12 months	1	343,000	
Oxfam	Second year funding of the Cleaner Living Programme in Liberia, a specific Oxfam project, delivering improved sanitation, hygiene and understanding of public health	1	262,150	
mothers2mothers	'Learning and Innovation Generating High Impact Teaching Sites' project – an expansion of services offered to five new sites	1	252,000	
The Donna Louise Children's Hospice	The delivery of the Children's Hospice's front-line activities	1	250,000	
The University of Sheffield	Discovering a Cure for Deafness research project working towards finding a cure for deafness caused by Cochlear nerve damage	1	200,000	
Keele University	Bursary scheme to support undergraduates with disadvantaged backgrounds starting their course in the 2016/2017 academic year and increase to support in the 2015/2016 academic year	2	190,500	
Stoke-on-Trent Mathematics Excellence Partnership	To fund a programme to deliver high quality Mathematics teaching in Stoke-on-Trent	1	166,666	
The University of Sheffield	Bursary scheme to support undergraduates with disadvantaged backgrounds starting their course in the 2015/2016 academic year	1	151,200	
The University of Sheffield	Bursary scheme to support undergraduates with disadvantaged backgrounds starting their course in the 2016/2017 academic year	1	151,200	
Staffordshire University	Bursary scheme to support undergraduates with disadvantaged backgrounds starting their course in the 2016/2017 academic year	1	150,000	

A further 8 institutions benefitted from grants to aid their charitable activities which are aligned to the Denise Coates Foundation's charitable objectives

525,933

3,086,649

# Denise Coates Foundation

## NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 27 March 2016

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### 3 RESOURCES EXPENDED (continued)

#### *Analysis of governance costs*

<i>Unrestricted funds</i>	<b>Total 2016 £</b>	<b>Total 2015 £</b>
Legal and professional	<b>62,932</b>	4,534
Insurance	<b>1,438</b>	1,392
Bank charges	<b>138</b>	172
Audit fees	<b>13,560</b>	8,000
	<b>78,068</b>	14,098

### 4 NET INCOMING RESOURCES FOR THE PERIOD

Net incoming resources are arrived at after charging the following:

	<b>2016 £</b>	<b>2015 £</b>
Auditor's remuneration:		
Audit services	<b>13,560</b>	8,000
Non audit services	<b>498</b>	2,934

### 5 STAFF NUMBERS, STAFF COSTS AND KEY MANAGEMENT PERSONNEL/TRUSTEES' EXPENSES AND REMUNERATION

The Foundation did not have any staff in situ and the trustees, who are also considered to be the key management personnel, received no remuneration or expenses during the period.

# Denise Coates Foundation

## NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 27 March 2016

### 6 FIXED ASSET INVESTMENTS

	Unlisted Securities £	Listed Securities £	Cash £	Other Investments £	Total £
<i>Market value</i>					
At beginning of period	69,897,218	28,383,275	852,414	8,106,010	107,238,917
Transfer from cash balances	-	-	8,750,000	-	8,750,000
Additions to investments at cost	17,616,472	7,842,980	(26,681,646)	1,222,194	-
Disposals at carrying value	(16,804,394)	(2,349,935)	19,154,329	-	-
Investment income	959,344	544,840	7,545	-	1,511,729
Realised and unrealised gains and losses during the period	(4,289,143)	(472,842)	(465,901)	(1,255,282)	(6,483,168)
Expenses (see below *)	-	-	(330,845)	-	(330,845)
At end of period	67,379,497	33,948,318	1,285,896	8,072,922	110,686,633

\* Any expenses incurred in the administration or protection of endowment investments are charged to capital. An amount of £80,000 (2015: £79,318) is included in accruals to cover unpaid fees relating to 2016.

*The realised and unrealised gains and losses detailed above can be analysed as follows:*

	2016 £	2015 £
Unrealised loss on investments	(3,404,846)	8,159,954
Realised loss on investments	(921,368)	(1,223,759)
Realised loss on currency and money markets	(2,156,954)	(587,379)
	(6,483,168)	6,348,816



# Denise Coates Foundation

## NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 27 March 2016

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### 6 FIXED ASSET INVESTMENTS (continued)

The main risk to the Foundation, from financial instruments, lies in the combination of uncertain investment markets and volatility in yield. Due to 'quantitative easing' and market sentiment favouring lower risk investments, the yield on bonds has been abnormally low giving rise to a significant downside risk of a fall in capital values when interest rates return to normal levels. Although rising interest rates resulting from a stronger economy and improved economic activity should be indicative of improving dividend yields and equity values, there is a concern that the abnormal availability of 'cheap money' to the banking sector has led to wider over-valuation of traded assets (as 'asset bubble') that may depress equity values once economic conditions ease.

The default rate on fixed interest securities due to corporate failures is expected to improve with a strengthening economy. The high current demand for high quality corporate bond and government stock continues to depress the yield.

Liquidity risk is anticipated to be low as all assets are traded and the commitment to intervention by central banks and market regulators has continued to provide for orderly trading in the markets and so their ability to buy and sell quoted equities and stock is anticipated to continue. The Foundation's investments are mainly traded in markets with good liquidity and high trading volumes. The Foundation has no material investment holdings in markets subject to exchange controls or trading restrictions.

The Foundation manages investment risk by retaining expert advisors and operating an investment policy that provides for a high degree of diversification of holdings within investment asset classes.

### 7 DEBTORS: Amounts falling due within one year

	2016 £	2015 £
Accrued Income	8,865	19,940
	<u>          </u>	<u>          </u>

### 8 CREDITORS: Amounts falling due within one year

	2016 £	2015 £
Accruals	115,114	89,518
Grant commitments	1,330,826	400,000
	<u>          </u>	<u>          </u>
	1,445,940	489,518
	<u>          </u>	<u>          </u>

# Denise Coates Foundation

## NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 27 March 2016

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### 9 CREDITORS: Amounts falling due after one year

	2016	2015
	£	£
Grant commitments	151,200	-

### Movement in recognised funding commitments during the period

	Grant commitments accrued	
	2016	2015
	£	£
Grant commitments recognised at the start of the period	400,000	-
New grant commitments charged to the SoFA in period (see note 3)	3,086,649	3,567,191
Grants paid during the period	(2,004,649)	(3,167,191)
Amounts of grant commitments recognised at the end of the period	1,482,000	400,000

Those grant commitments which have not been accrued due to the level of uncertainty are discussed in note 14.

# Denise Coates Foundation

## NOTES TO THE FINANCIAL STATEMENTS

### for the 52 weeks ended 27 March 2016

#### 10 STATEMENT OF FUNDS

	At 29 March 2015 £	Income £	Expenditure £	Gains on revaluation of investments £	Transfer of Funds £	At 27 March 2016 £
<b>UNRESTRICTED FUNDS</b>						
General fund	7,172,015	46,958	(3,306,228)	-	-	<b>3,912,745</b>
<b>ENDOWMENT FUND</b>						
Expendable	110,899,950	21,482,828	(331,527)	(6,483,167)	-	<b>125,568,084</b>
<b>TOTAL FUNDS</b>	<b>118,071,965</b>	<b>21,529,786</b>	<b>(3,637,755)</b>	<b>(6,483,167)</b>	<b>-</b>	<b>129,480,829</b>

#### Unrestricted Funds

The general funds represent the unrestricted funds of the Foundation that are not designated for particular purposes.

#### Expendable Endowment Fund

The expendable endowment fund was established in March 2014 by an initial gift from Hillside (Shared Services) Limited, further by a gift in the 2015 period of £10,000,000 and has been increased in the period by a further endowment of £20,000,000. The Trustees have the power to spend both the capital and the income.

#### Events after the Reporting Period

On 13 May 2016, the Foundation Board of Trustees at its discretion agreed to transfer £2.5m from the Endowment Fund to the General Fund to make available further funds for grant payments. If this had been actioned before the year end the General Fund would have been disclosed at a value of £6,412,745 available for distribution as grants.

#### 11 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Endowment fund £	Unrestricted General funds £	Total funds £
Investments	105,648,084	5,038,549	<b>110,686,633</b>
Cash at bank and in hand	20,000,000	382,471	<b>20,382,471</b>
Creditors due within one year	(80,000)	(1,365,940)	<b>(1,445,940)</b>
Creditors due after one year	-	(151,200)	<b>(151,200)</b>
Debtors due within one year	-	8,865	<b>8,865</b>
<b>Total net assets</b>	<b>125,568,084</b>	<b>3,912,745</b>	<b>129,480,829</b>

# Denise Coates Foundation

## NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 27 March 2016

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### 12 RECONCILIATION OF OPERATING SURPLUS TO CASH INFLOW FROM OPERATING ACTIVITIES

	27 March 2016 £	29 March 2015 £
Income before gains and losses on investments	17,892,031	6,684,556
Investment income	(1,529,786)	(1,135,150)
Investment manager costs	331,527	292,769
Increase in creditors	1,106,940	404,500
	<hr/>	<hr/>
Net cash provided by operating activities	17,800,712	6,246,675
	<hr/>	<hr/>

### 13 RELATED PARTY TRANSACTIONS

The Trustees consider that Hillside (Shared Services) Limited is a related party of the Foundation by virtue of common directors and that its ultimate holding company, bet365 Group Limited, is under the control of Denise Coates CBE.

The charity received donations totalling £20,000,000 (2015: £10,000,000) during the period. No balances were owed to or from Hillside (Shared Services) Limited at the period end (2015: £nil).

The Foundation receives support from the bet365 Group Limited in respect of office space and other costs including management time, but the trustees believe that this support is not material to disclose in the period.

### 14 CONTINGENT GRANT COMMITMENTS

The trustees intend to make a grant to develop 5 high volume sites in South Africa, Learning and Innovation Generating High Impact Teaching Sites ("LIGHTS"). The institution overseeing this project has been informed of the Foundation's intention to fund an award of £600,000. However the award is contingent upon the delivery achieved in the previous years and confirmation that the initial intentions/deliverables, presented to the Trustees, remain.

The trustees also intend to make a grant to fund Urinary Microbiome Research. The institution overseeing this research has been informed of the Foundation's intention to fund an award of £464,800. However the award is contingent upon successful outcome from the scientific review process.

The trustees also intend to make a grant to deliver high quality mathematics teaching in Stoke-on-Trent. The institution overseeing this project has been informed of the Foundation's intention to fund an award of £333,333. However the award is contingent upon ongoing programme performance. A programme update will be produced "periodically", based on a list of performance indicators suggested by the Foundation.