

Denise Coates Foundation

(A company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS

26 March 2017



Company Registration No. 08191619
Registered Charity No. 1149110

Denise Coates Foundation

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Denise Coates Foundation

REPORT OF THE TRUSTEES INCLUDING STRATEGIC REPORT

LEGAL AND ADMINISTRATIVE INFORMATION

Charity Number: 1149110

Company Number: 08191619

Trustees/Company Directors: D Coates CBE
JF Coates
P Coates
SJ Adlington
SH 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 Stonehage Fleming
15 Suffolk Street
London
SW1Y 4HG
United Kingdom

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.

Denise Coates Foundation

REPORT OF THE TRUSTEES INCLUDING STRATEGIC REPORT

The Trustees are pleased to present their report together with the financial statements of the charitable company ("the Foundation") for the 52 week period ended 26 March 2017.

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 and Recruitment 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 by an open recruitment process to fill any gaps.

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 for the existing, or any newly appointed trustees, 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, charitable purposes anywhere in the world for the public benefit as are exclusively charitable purposes according to the laws of England and Wales, and 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 grant 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 award a grant.

Denise Coates Foundation

REPORT OF THE TRUSTEES INCLUDING STRATEGIC REPORT

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 donations from Hillside (Shared Services) Limited, Hillside (Media Services) Limited and Hillside (Technology) Limited during 2016/17. Two of the Foundation's Trustees are Directors of Hillside (Shared Services) Limited, Hillside (Media Services) Limited and Hillside (Technology) Limited and three of the Trustees are Directors of the ultimate holding company, bet365 Group Limited, which is under the control of Denise Coates CBE. Hillside (Shared Services) Limited also provides an element of administrative support. Therefore these entities are deemed to be related parties.

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.

Trustees' indemnity insurance

The Foundation holds trustee indemnity insurance the cost of this was £1,444.

FUTURE PLANS

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

Denise Coates Foundation

REPORT OF THE TRUSTEES INCLUDING STRATEGIC REPORT

STRATEGIC REPORT

Achievements and performance

In the 2016/17 financial year the Foundation committed to provide £5,964,536 of grants and donations to 21 charitable entities, 19 of which totalling more than £20,000.

In addition, during 2016/17, the Foundation conditionally agreed to provide £1,712,500 of funding to support 2 separate long-term 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.

In addition to supporting front-line activities at the children's hospice the Foundation also committed to fully fund the construction of a new state-of-the-art facility in the grounds of the hospice that will enable the expansion of the services provided beyond children to young adults.

A grant was provided to a local residential home for disabled people which will fund the conversion and repurposing of an existing building and the creation of a sensory garden within the grounds of the home.

- **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".

During the year the Foundation continued its financial commitment to a programme intended to improve GCSE Mathematics attainment rates in Stoke-on-Trent Schools, 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. Collectively, each of the institutions will use the funding to provide bursaries for c200 undergraduates.

In addition to the support provided to the two local universities the Foundation also committed to support access to higher education for those with disadvantaged backgrounds by providing grants/commitments to support bursaries for undergraduates at two other UK universities.

Denise Coates Foundation

REPORT OF THE TRUSTEES INCLUDING STRATEGIC REPORT

Achievements and performance (continued)

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 2016/17 it continued its funding for 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.

During the year the Foundation agreed to provide a grant to support the creation of an Education Centre which will be used by school children from all over the country when they visit Jodrell Bank, one of the North-West’s, if not the nation’s, pre-eminent scientific research facilities.

- **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 Alzheimer’s disease. In addition, the Foundation released funding to support research into common and high impact ailments that can affect older people and conditionally committed to provide 5 years of funding to ongoing medical research.

- **Disaster Recovery/Emergency Relief**

The Foundation funded an aid airlift into Sierra Leone, a country continuing its slow recovery following the Ebola epidemic.

- **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 and continues to make significant donations which during the year included a grant to fund the creation and installation of a statue commemorating the life and works of Arnold Bennett. Arnold Bennett is Stoke-on-Trent’s most famous writer and, therefore, is of great cultural importance to the City. The statue of the author, which was gifted to the City, stands in a prominent public location where it can be enjoyed by current and future generations.

- **Community Development**

Locally, the Foundation provided funding for several projects including a grant to enable the repurposing of an old unused building into a community center, and providing a grant to enable the local branch of a national charity to expand and develop its family services. In addition, the Foundation has provided a grant and a long-term commitment to support a local theatre’s investment in its projects to engage with, and support, disadvantaged individuals and communities in the area.

Denise Coates Foundation

REPORT OF THE TRUSTEES INCLUDING STRATEGIC REPORT

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 £1,586,556 (2016: £1,529,786) and charitable donations of £50,000,000 (2016: £20,000,000) resulting in total incoming resources of £51,586,556 (2016: £21,529,786). During the financial year £5,964,536 (2016: £3,228,160) was expended/committed to charitable giving. After allowing for governance costs of £209,435 (2016: £78,068) there was £186,284,264 (2016: £129,480,829) 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 £4,288,956 of outstanding unconditional commitments in relation to 14 donations/grants committed but not made as at the Balance Sheet date. In the view of the Trustees the funds held at 26 March 2017 were available and adequate to fulfil its existing obligations.

Donation

On 21 March 2017 the Foundation received three donations totalling £50,000,000 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 RPI inflation, will be distributed to support charities/charitable activities that align to the objectives of the Foundation.

As at the balance sheet date the £50,000,000 donations received on 21 March 2017 were 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.

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.

Denise Coates Foundation

REPORT OF THE TRUSTEES INCLUDING STRATEGIC REPORT

Investment performance

As at 26 March 2017 the total investment portfolio stood at £120,264,010 net of accrued investment management charges (2016: £110,606,633), £9,657,377 higher than at the end of the previous Financial Year. In the period a total of £3,250,000 was withdrawn from the Unrestricted Funds part of the portfolio to fund grant/donation distribution.

Taking in year withdrawals from the investment portfolio into account, over the financial year, the investment portfolio has returned an investment gain of £12,907,377 11.9% (2016: Loss £5,302,966). The portfolio performance is hardly surprising given the increases seen in equity markets over the 12 months to the end of March 2017, the FTSE 100 grew 20.2% over the period.

As at 26 March 2017 the value of the Endowment Fund element of the investment portfolio was £106,957,760 net of accrued investment management charges. Over the course of the financial year the Endowment Fund returned an investment gain including income of £12,889,678, 12.5% (2016: Loss £5,331,866). The UK annual inflation rate, RPI, was 3.1% for March 2017 therefore the Investment Portfolio delivered growth significantly ahead of annual inflation, 9.4% above, which aligns with the long-term “out-performance” objective.

In respect of non-financial key performance indicators, the trustees monitor the level of grants issued each year, this is detailed in note 3.

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 26 March 2017, the actual reserves were £186,284,264 (2016: £129,480,829).

As at 26 March 2017 the excess return, over and above annual RPI inflation, was £9,057,598, however during the year the Trustees, at their discretion, decided to transfer a total of £12,500,000 to Unrestricted Funds to further the Foundation’s ability to provide donations that meet its charitable objectives.

The level of unrestricted funds at 26 March 2017 was £10,258,494 and these funds are retained at this level to allow the trustees, at their discretion, to award an appropriate level of grants annually.

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 are 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


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, 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

12th October 2017

Denise Coates Foundation

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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;
- 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

Opinion on financial statements

We have audited the financial statements of Denise Coates Foundation (the 'charitable company') for the period ended 26 March 2017 which comprise the Statement of Financial Activities (including Income and Expenditure Account), the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 26 March 2017 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 requirements of the Companies Act 2006.

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 <http://www.frc.org.uk/auditscopeukprivate>

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Trustees' and the incorporated Strategic Report for the financial period for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Report of the Trustees' and the incorporated Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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.

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.

RSM UK Audit LLP

ANNA SPENCER-GRAY (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Festival Way
Stoke-on-Trent
Staffordshire
ST1 5BB

16 October 2017

2017

Denise Coates Foundation

STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT)

for the 52 weeks ended 26 March 2017

	Note	Endowment Fund	Unrestricted Funds	Total Funds Period ended 26 March 2017	Total Funds Period ended 27 March 2016
		£	£	£	£
INCOME AND ENDOWMENTS:					
<i>Donations:</i>					
Gift of expendable endowment	1	50,000,000	-	50,000,000	20,000,000
Investment income	2	1,566,836	19,720	1,586,556	1,529,786
TOTAL INCOME		51,566,836	19,720	51,586,556	21,529,786
EXPENDITURE					
Investment manager costs		361,893	-	361,893	331,527
Charitable activities	3	-	6,173,971	6,173,971	3,306,228
TOTAL EXPENDITURE		(361,893)	(6,173,971)	(6,535,864)	(3,637,755)
NET INCOME/(EXPENDITURE) BEFORE GAINS AND LOSSES ON INVESTMENTS AND TRANSFERS		51,204,943	(6,154,251)	45,050,692	17,892,031
Transfers	11	(12,500,000)	12,500,000	-	-
NET INCOME BEFORE GAINS AND LOSSES ON INVESTMENTS		38,704,943	6,345,749	45,050,692	17,892,031
Net gains/(losses) on investment assets		11,752,743	-	11,752,743	(6,483,167)
NET INCOME AND NET MOVEMENT IN FUNDS		50,457,686	6,345,749	56,803,435	11,408,864
<i>Reconciliation of funds</i>					
Total funds brought forward		125,568,084	3,912,745	129,480,829	118,071,965
TOTAL FUNDS CARRIED FORWARD	11	176,025,770	10,258,494	186,284,264	129,480,829

All income and expenditure derive from continuing activities.

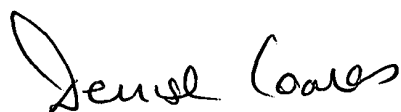
Denise Coates Foundation

BALANCE SHEET

At 26 March 2017

	Note	2017		2016	
		£	£	£	£
FIXED ASSETS					
Investments	6		120,355,010		110,686,633
TOTAL FIXED ASSETS			120,355,010		110,686,633
CURRENT ASSETS					
Debtors	7	48,595		8,865	
Cash at bank and in hand		70,373,567		20,382,471	
TOTAL CURRENT ASSETS		70,422,162		20,391,336	
CREDITORS: Amounts falling due within one year	8	(2,182,577)		(1,445,940)	
NET CURRENT ASSETS			68,239,585		18,945,396
TOTAL ASSETS LESS CURRENT LIABILITIES			188,594,595		129,632,029
CREDITORS: Amounts falling due after one year	9		(2,310,331)		(151,200)
TOTAL NET ASSETS			186,284,264		129,480,829
THE FUNDS OF THE CHARITY					
UNRESTRICTED FUNDS					
General funds	11		10,258,494		3,912,745
ENDOWMENT FUND	11		176,025,770		125,568,084
TOTAL CHARITY FUNDS	12		186,284,264		129,480,829

The financial statements on pages 11 to 27 were approved by the board and authorised for issue on 12th October 2017 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 26 March 2017

	Note	26 March 2017		27 March 2016	
		£	£	£	£
NET CASH PROVIDED BY OPERATING ACTIVITIES	13	46,710,798		17,800,712	
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		30,298		29,133	
Net cash provided by investing activities		30,298		29,133	
CASH FLOW FROM FINANCING ACTIVITIES					
Expendable endowment		-		(10,000,000)	
Transfer from investment		3,250,000		1,250,000	
Net cash used in financing activities		3,250,000		(8,750,000)	
CHANGE IN CASH AND CASH EQUIVALENTS IN THE PERIOD		49,991,096		9,079,845	
Cash and cash equivalent at the beginning of the period		20,382,471		11,302,626	
Total cash and cash equivalent at the end of the period		70,373,567		20,382,471	

In 2017 cash held on the balance sheet included £70,000,000 (2016: £20,000,000) relating to cash in transit prior to investment in the endowment investments.

Denise Coates Foundation

ACCOUNTING POLICIES

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, registered in England and Wales, 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. The Foundation's address is bet365 House, Media Way, Stoke-on-Trent, ST1 5SZ.

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.

FUNCTIONAL AND PRESENTATIONAL CURRENCIES

The financial statements are presented in sterling which is also the functional currency of the Foundation.

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 to date 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

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 representing the current returns on bank deposits 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. Grant 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

FUND STRUCTURE (continued)

Expendable endowment fund

The Foundation has an expendable endowment fund which comprises of gifts from certain corporate members of the bet365 Group 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

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 GRANT COMMITMENTS

A contingent commitment 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.

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Foundation makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical areas of judgement

The trustees deem the key area of judgement in the financial statements to be the recognition of grant commitments. For each grant awarded by the trustees, which has not been paid in the period, the trustees consider the status of the award of the grant, the conditions attaching to the grant and whether there is reasonable certainty the grant will be paid. Once evaluated the grant will be accrued or disclosed as required to meet the requirements of Financial Reporting Standards and the Charities SORP.

Denise Coates Foundation

NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 26 March 2017

1 INCOMING RESOURCES

Expendable endowment donations

The Foundation received donations during the period from Hillside (Shared Services) Limited of £10,000,000, Hillside (Technology) Limited of £20,000,000 and Hillside (Media Services) Limited of £20,000,000 which totalled £50,000,000 (2016: £20,000,000) allocated to expendable endowment funds.

2 INVESTMENT INCOME

	2017			
	Endowment	Unrestricted	Total	Total
	fund	fund	2017	2016
	£	£	£	£
Managed investments:				
Fixed interest – listed	324,579	3,833	328,412	62,091
Fixed interest – unlisted	209,613	2,476	212,089	492,344
Dividends – listed	641,629	7,578	649,207	482,749
Dividends – unlisted	321,170	3,793	324,963	467,000
Interest on cash	1,835	22	1,857	7,545
Bank interest on cash deposits	68,010	2,018	70,028	18,057
	<u>1,566,836</u>	<u>19,720</u>	<u>1,586,556</u>	<u>1,529,786</u>

In 2016 all income except a notional allocation from each investment sources amounting to £46,958 was allocated to the endowment fund.

Denise Coates Foundation

NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 26 March 2017

3 RESOURCES EXPENDED: UNRESTRICTED

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 £	Total Period ended 26 March 2017 £	Total Period ended 27 March 2016 £
Charitable activity – donations	31,000	-	31,000	141,511
– grants	5,933,536	-	5,933,536	3,086,649
– governance costs	-	209,435	209,435	78,068
	<u>5,964,536</u>	<u>209,435</u>	<u>6,173,971</u>	<u>3,306,228</u>

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

	Total Period ended 26 March 2017 £	Total Period ended 27 March 2016 £
Education and Training	-	4,511
Disaster Recovery/Emergency Relief	-	100,000
Community Development	6,000	12,000
Medical Research and Development	25,000	25,000
	<u>31,000</u>	<u>141,511</u>

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

	Period ended 26 March 2017		Period ended 27 March 2016	
	Grants to institutions £	Grants to individuals £	Grants to institutions £	Grants to individuals £
Health and Welfare	3,429,436	-	1,007,885	-
Education and Training	1,478,486	-	1,824,464	-
Medical Research and Development	660,540	-	200,000	-
Community Development	194,074	-	-	-
Arts and Culture	164,000	-	54,300	-
Disaster Recovery	7,000	-	-	-
	<u>5,933,536</u>	<u>-</u>	<u>3,086,649</u>	<u>-</u>

Denise Coates Foundation

NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 26 March 2017

3 RESOURCES EXPENDED: UNRESTRICTED (continued)

Recipients of institutional grant(s):

Institution	Funded Activity	No of donations	Total	
			£	£
The Donna Louise Trust	Design/construction of the 19+ Facility at the hospice.	1	2,725,000	
University of Manchester - Jodrell Bank Visitor Centre	First Light Project, repurpose/refurbishment of three education rooms.	1	500,000	
Chronic Disease Research Foundation	Urinary Microbiome Research - Patterns of urinary microbes associated with common geriatric syndromes.	1	488,040	
mothers2mothers	'Learning and Innovation Generating High Impact Teaching Sites' project – an expansion of services offered to five new sites	1	316,851	
Douglas Macmillan Hospice	To run the In-Patient night-time care for 12 months	1	272,731	
The Donna Louise Trust	The delivery of the Children's Hospice's front-line activities.	1	250,000	
Alzheimer's Research UK	2 PhD Scholarships at The University of Sheffield - Systemic inflammation and dementia, and cholesterol as a risk factor for Alzheimer's.	1	172,500	
Stoke-on-Trent Mathematics Excellence Partnership	To fund a programme to deliver high quality Mathematics teaching in Stoke-on-Trent	1	166,667	
The University of Sheffield	Bursary scheme to support undergraduates with disadvantaged backgrounds starting their course in the 2017/2018 academic year	1	151,200	
Keele University	Bursary scheme to support undergraduates with disadvantaged backgrounds starting their course in the 2017/2018 academic year	1	150,000	
Staffordshire University	Bursary scheme to support undergraduates with disadvantaged backgrounds starting their course in the 2017/2018 academic year	1	150,000	
				5,342,989
A further 9 institutions benefitted from grants to aid their charitable activities which are aligned to the Denise Coates Foundation's charitable objectives				590,547
				<u>5,933,536</u>

Denise Coates Foundation

NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 26 March 2017

3 RESOURCES EXPENDED: UNRESTRICTED (continued)

Analysis of governance costs

<i>Unrestricted funds</i>	Total 2017 £	Total 2016 £
Legal and professional	193,959	62,932
Insurance	1,444	1,438
Bank charges	116	138
Audit fees	14,628	13,560
(Gains)/losses on exchange	(712)	-
	209,435	78,068

4 NET INCOMING RESOURCES FOR THE PERIOD

Net incoming resources are arrived at after charging the following:

	2017 £	2016 £
Auditor's remuneration:		
Audit services	14,628	13,560
Non audit services	5,131	498

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 26 March 2017

6 FIXED ASSET INVESTMENTS

	Unlisted Securities £	Listed Securities £	Cash £	Other Investments £	Total £
<i>Market value</i>					
At beginning of period	67,379,496	33,948,318	1,285,897	8,072,922	110,686,633
Transfer from cash balances	-	-	(3,250,000)	-	(3,250,000)
Additions to investments at cost	8,354,649	10,102,307	(18,456,956)	-	-
Disposals at carrying value	(12,861,262)	(13,141,915)	26,003,177	-	-
Investment income	537,052	977,619	1,856	-	1,516,527
Realised and unrealised gains and losses during the period	(13,488,977)	27,245,909	-	2,186,955	15,943,887
(Losses)/gains on foreign currency movement	-	-	(4,191,144)	-	(4,191,144)
Expenses (see below *)	-	-	(350,893)	-	(350,893)
At end of period	49,920,958	59,132,238	1,041,937	10,259,877	120,355,010

* Any expenses incurred in the administration or protection of endowment investments are charged to capital. An amount of £91,000 (2016: £80,000) 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:

	2017 £	2016 £
Unrealised gain/(loss) on investments	10,385,561	(3,404,846)
Realised gain/(loss) on investments	2,686,846	(921,368)
Realised loss on currency and money markets	(1,319,664)	(2,156,954)
	11,752,743	(6,483,168)

Denise Coates Foundation

NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 26 March 2017

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

	2017 £	2016 £
Accrued Income	48,595	8,865
	<u>48,595</u>	<u>8,865</u>

8 CREDITORS: Amounts falling due within one year

	2017 £	2016 £
Accruals	203,952	115,114
Grant commitments	1,978,625	1,330,826
	<u>2,182,577</u>	<u>1,445,940</u>

Denise Coates Foundation
NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 26 March 2017

9 CREDITORS: Amounts falling due after one year

	2017	2016
	£	£
Grant commitments	2,310,331	151,200

Movement in recognised funding commitments during the period

	Grant commitments accrued	
	2017	2016
	£	£
Grant commitments recognised at the start of the period	1,482,026	400,000
New grant commitments charged to the SoFA in period (see note 3)	5,964,536	3,086,649
Grants paid during the period	(3,157,606)	(2,004,623)
Amounts of grant commitments recognised at the end of the period	4,288,956	1,482,026

Those grant commitments which have not been accrued due to the level of uncertainty are discussed in note 15.

10 FINANCIAL INSTRUMENTS

The carrying value of the Foundations financial instruments at the period end were:

	2017	2016
	£	£
Financial assets :		
Debt Instruments measured at cost	48,595	8,865
Financial Liabilities :		
Measured at amortised cost	4,492,908	1,597,140

Financial assets measured at amortised cost include accrued income.

Financial liabilities measured at amortised cost include grant commitments and accruals.

Denise Coates Foundation

NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 26 March 2017

11 STATEMENT OF FUNDS

	At 27 March 2016 £	Income £	Expenditure £	Gains on revaluation of investments £	Transfer of Funds £	At 26 March 2017 £
UNRESTRICTED FUNDS						
General fund	3,912,745	19,720	(6,173,971)	-	12,500,000	10,258,494
ENDOWMENT FUND						
Expendable	125,568,084	51,566,836	(361,893)	11,752,743	(12,500,000)	176,025,770
TOTAL FUNDS	129,480,829	51,586,556	(6,535,864)	11,752,743	-	186,284,264

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 of £10,000,000 in the 2015 period and £20,000,000 in the 2016 period. This has been increased during the year by a further endowment of £20,000,000 from Hillside (Media Services) Limited, £20,000,000 from Hillside (Technology) Limited and £10,000,000 from Hillside (Shared Services) Limited. The Trustees have the power to spend both the capital and the income.

Transfer of Funds

The transfer of funds relates to £2,500,000 transfer as agreed by the board of trustees on 13 May 2016 from the endowment fund to the unrestricted fund to make available further funds for grant payments. The remaining transfer of £10,000,000 is a transfer of funds to the unrestricted fund from the endowment fund and is based on the trustees retaining in the endowment fund a return equivalent to the UK annual inflation rate, RPI, being 3.1% at March 2017 and amounting to £3,900,088. The total return on the endowment fund was £12,957,686 giving an excess over inflation of £9,057,598. The board of trustees at their discretion have increased this transfer amount to £10,000,000.

12 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Endowment fund £	Unrestricted General funds £	Total funds £
Investments	107,048,760	13,306,250	120,355,010
Cash at bank and in hand	69,020,718	1,352,849	70,373,567
Creditors due within one year	(91,000)	(2,091,577)	(2,182,577)
Creditors due after one year	-	(2,310,331)	(2,310,331)
Debtors due within one year	47,292	1,303	48,595
Total net assets	176,025,770	10,258,494	186,284,264

Denise Coates Foundation
NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 26 March 2017

13 RECONCILIATION OF OPERATING SURPLUS TO CASH INFLOW FROM OPERATING ACTIVITIES

	26 March 2017 £	27 March 2016 £
Income before gains and losses on investments	45,050,692	17,892,031
Investment income	(1,586,555)	(1,529,786)
Investment manager costs	361,893	331,527
Increase in creditors	2,884,768	1,106,940
	<hr/>	<hr/>
Net cash provided by operating activities	46,710,798	17,800,712
	<hr/>	<hr/>

14 RELATED PARTY TRANSACTIONS

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

The charity received donations totalling £10,000,000 from Hillside (Shared Services) Limited (2016: £20,000,000), £20,000,000 from Hillside (Technology) Limited (2016: £nil) and £20,000,000 from Hillside (Media Services) Limited (2016: £nil) during the period. No balances were owed to or from Hillside (Shared Services) Limited, Hillside (Technology) Limited or Hillside (Media Services) Limited at the period end (2016: £nil).

The Foundation receives support from the bet365 Group 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.

Denise Coates Foundation

NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 26 March 2017

15 CONTINGENT GRANT COMMITMENTS

The trustees intend to make the following grants.

A grant to provide long term funding of medical research including pilot projects, fellowships, and PhD students. The institution overseeing this project has been informed of the Foundation's intention to fund an award of £1,312,500. However the award is contingent upon the current Medical Director still being in position, and confirmation that the initial intentions/deliverables, presented to the Trustees, remain.

A grant to support a community outreach programme in Stoke-on-Trent and Staffordshire. The institution overseeing this project has been informed of the Foundation's intention to fund an award of £400,000. However the award is contingent upon the project receiving National Portfolio Organisations funding from the Arts Council, and confirmation that the initial intentions/deliverables, presented to the Trustees, remain.

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 £356,000. 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.

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 £166,667. 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.