



(A Charitable Company limited by guarantee and not having share capital)

Report and Financial Statements

Year Ended 31 December 2017

Charity No: 283656
Company No: 01592031

THE NATIONAL HORSERACING MUSEUM
(A Charitable Company limited by guarantee and not having share capital)

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THE NATIONAL HORSERACING MUSEUM

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Report of the Trustees for the year ended 31 December 2017

The Trustees of The National Horseracing Museum (hereafter referred to as the Charitable Company) are pleased to present their report together with the financial statements for the year ending 31 December 2017.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

Charity Number:	283656
Company Number:	01592031
Registered Office and Operational Address:	Palace House, Palace Street, Newmarket, Suffolk, CB8 8EP
Auditors:	RSM UK Audit LLP Abbotsgate House, Hollow Road, Bury St Edmunds, IP32 7FA
Bankers:	Barclays Bank plc, 58 High Street, Newmarket, Suffolk, CB8 8GL Weatherbys Bank, Sanders Road, Wellingborough, Northants, NN8 4BX
Investment Managers:	Smith & Williamson Investment Management, 25 Moorgate, London EC2R 6AY
Museum Director:	Christopher Garibaldi
Company Secretary:	Richard Attwell

Directors and Trustees

The Directors of the Charitable Company are its Trustees for the purpose of law and throughout this report are collectively referred to as the Trustees.

Rachel Hood	– Chair (<i>appointed 1 September 2017</i>)
Stuart Richmond-Watson	– Chair (<i>resigned 1 September 2017</i>)
Christopher Tregoning	– Hon Treasurer
Ian Barlow	
Patricia Connor	
Timothy Cox	
Sara Cumani	
Richard Frisby	
William Gittus	
Margaret Greeves	(<i>resigned 1 September 2017</i>)
Gillian, Lady Howard de Walden	(<i>resigned 1 September 2017</i>)
Peter Jensen	
Derek Lewis	
Guy Morrison	
David Oldrey	
John (Brough) Scott	(<i>resigned 1 September 2017</i>)
Hon. Frances Stanley	(<i>appointed 1 September 2017</i>)
Katherine Stewart	
Patricia Thompson	

THE NATIONAL HORSERACING MUSEUM
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Report of the Trustees for the year ended 31 December 2017 (Continued)

Structure, Governance and Management

The Charitable Company is limited by guarantee and governed by its Memorandum and Articles of Association dated 16 October 1981. Under part 5, Section 60 of the Companies Act 2006 it is exempt from the requirement to use the word limited after its name. It is registered as a charity with the Charity Commission.

The Trustees determine the general policy of the Charitable Company and are elected in accordance with the Memorandum and Articles of Association. The day to day management of The National Horseracing Museum (the Museum) is delegated to the Museum Director and his staff. The National Horseracing Museum is the legal entity responsible for running the National Heritage Centre for Horseracing and Sporting Art at Palace House, Newmarket.

The Trustees are responsible for the preparation of financial statements, ensuring that they give a true and fair view of the results and financial soundness of the Charitable Company.

The Charitable Company has no share capital and is limited by guarantee.

Every member of the Charitable Company is a guarantor and undertakes to contribute to the assets of the Charitable Company, in the event of it being wound up, such amount as may be required, not exceeding £1.

Appointment of Trustees

Appointment or removal of Trustees is in line with Charity Commission guidelines RS1 and in compliance with the Charitable Company's Trustees Recruitment Policy.

The appointment of Trustees is by proposal according to the skills requirements of the Charitable Company and requires a unanimous positive vote. Representation includes expertise in the financial, legal, racing, fine art and museum fields and representation from The Jockey Club and the Local Authorities (specifically one observer/attendee each from Suffolk County Council and Forest Heath District Council). In addition, the Arts Council by virtue of the organisation's newly acquired National Portfolio Organisation status reserves the right to attend meetings of the full Board. To date there has never been an incidence of the need to remove a Trustee from office.

The Charitable Company also has an Executive Management Committee consisting of the Museum's senior management and attended by the Chair of Trustees to ensure effective communication with the Board regarding areas of concern. The Committee meets monthly to monitor profitability and progress on Museum projects between Trustees' meetings. The Director produces a monthly report based on the Management Committee meetings which is circulated to all members of the Board and attendees.

Trustees Induction and Training

Upon appointment, Trustees are given advice outlining their role and responsibilities to the Charitable Company. Provision is made for external training of Trustees if necessary.

THE NATIONAL HORSERACING MUSEUM

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Report of the Trustees for the year ended 31 December 2017 (Continued)

Related Parties

An independent and separately registered charity exists in connection with the Museum in the name of The Friends of the National Horseracing Museum (registered charity number 291154). Given its independence, the Friends' results are not incorporated within these financial statements. The Friends make regular gifts to the Museum in the form of pictures or other artefacts or provide funds to support purchases or other projects in line with the Objectives and Activities outlined in their constitution. The basic object of the charity as defined with the Charity Commission is:

'...the education of the public by promotion, support, assistance and improvement of the National Horseracing Museum through the activity of the group of Friends.'

During the year donations towards acquisitions to the Museum's collections were received from the Friends to the value of £ 2,775 (2016: £2,190).

The National Horseracing Museum holds 100% of the issued share capital of Palace House Trading Limited, a company registered in England and Wales, having share capital. The principal activities of Palace House trading are detailed in note 15 to the financial statements.

Pay policy for key management personnel

The Trustees consider that they, along with the senior management team, comprise the key management personnel of the charity in charge of directing and controlling, running and operating the Charitable Company on a day to day basis. All Trustees give of their time freely, and no Trustee received remuneration in the year. Details of Trustees' expenses and related party transactions are disclosed in notes 11 and 24 to the accounts.

The pay of key management personnel is reviewed annually. In view of the nature of the Charitable Company, the Trustees benchmark pay against levels in other provincial museums of a similar size. An Audit and Performance Committee has been established, and senior management salaries are now set by recommendation of this Committee to the Chair of the Board.

Risk Management

The Trustees consider that the principal financial risk to the Charitable Company is assessing the future level of income that the National Heritage Centre will generate.

The Charitable Company maintains a Risk Register which is reviewed by the Audit & Performance Committee on behalf of the Trustees to assess major operational and business risks which face the Charitable Company. It is believed that the appropriate actions are in place to mitigate significant risks.

The Trustees are presently reviewing the financial performance and position of the Museum to ensure that future unrestricted working capital is available to support present and future levels of operation with the longer term goal of increasing the level of Museum's Endowment Fund (see also: Reserves Policy below).

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Report of the Trustees for the year ended 31 December 2017 (*Continued*)

Objectives and Activities

The National Horseracing Museum aims to be a world-class museum and study centre celebrating the development of thoroughbred racing and breeding in Great Britain and the contribution which Newmarket has made and continues to make to the growth of a major worldwide sport and industry. Its purpose through the National Heritage Centre for Horseracing and Sporting Art and as set out in the Charitable Company's Memorandum of Association, is:

'to promote public interest in the preservation of all articles of historical or scientific interest in connection with racehorses and persons and places connected with racehorses and to enlarge the Museum's network of partnerships within the education, racing industry and museums sector to mutual benefit and for the benefit of the public.'

Key aims as set out in the Museum's Forward Plan (Revised September 2017) are:

1. To manage and further develop the new National Heritage Centre for Horseracing and Sporting Art (National Heritage Centre) which consists of the National Horseracing Museum, the collections of British Sporting Art Trust (Registered Charity No. 274156) in the Fred Packard Museum and Galleries of British Sporting Art and live horses presented by the Retraining of Racehorses charity (Registered Charity No. 1084787)
2. To maintain the standards expected of a National institution as laid out by the Accreditation Scheme for Museums in the United Kingdom by ensuring that all objects in the care of the organisation are appropriately documented, researched, interpreted and cared for – and public access is further developed.
3. To achieve the continued financial health of the organisation in order to allow it through the National Heritage Centre to accomplish its mission, particularly by attracting a broader audience.
4. To provide a lively and varied annual programme of special exhibitions and displays to drive footfall and to address topics of interest and relevance unrepresented by the permanent displays of the museum and art galleries; to complete those permanent galleries not installed as part of the first phase of capital development.
5. To enlarge the organisation's network of partnerships within the world of racing and the education and museum sectors to mutual benefit.
6. To develop new audiences, to strengthen links with the local community, with a particular focus on young people and to develop international partnership working.
7. To maintain a correct balance in the National Heritage Centre's displays between periods, themes and types of racing, sporting art and between loans and acquisitions.

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Report of the Trustees for the year ended 31 December 2017 (*Continued*)

Public Benefit

The public benefits principally from the preservation and conservation of this nationally important collection of racing works of art, social history objects, archive documents and photographs. Members of the public are able to view the exhibitions and under normal circumstances use the research services of the Charitable Company.

The new National Heritage Centre provides a unique opportunity to represent the history and science of the sport of horseracing to as wide an audience as possible – the most important opportunity in a generation to benefit the wider horseracing community by increasing participation in and understanding of all levels of the sport, particularly in relation to increasing the diversity of those taking part in racing activities both as participants and spectators.

The Museum provides wider social benefit through the provision of greatly improved facilities and services for families and young people and through much improved educational facilities and learning programmes. The organisation works hard to engage the local community beyond the core racing audience. A community outreach programme has integrated the National Heritage Centre into the life of Newmarket and its diverse communities as well as those of the surrounding area.

All three elements of the National Heritage Centre are fully accessible in accordance with the provisions of the Disability Discrimination Acts (1995 & 2005). In addition, the new displays enhance intellectual access to the museum in order to attract audiences of all ages and backgrounds to engage with the historical and cultural life of Newmarket.

The redevelopment has allowed the museum to significantly improve its formal learning offer to schools using the new Alborada Education Centre classrooms and the Mews Lecture Theatre. The organisation has also developed its education programmes to support life-long learning both for specialist groups and for a general audience alike thereby contributing to the formal and informal learning offer in the locality.

Economic Benefit

The National Heritage Centre is becoming a major visitor attraction in the East of England and is providing a significant boost to the local and regional economy in terms of additional tourist income, employment and the economic impact of procurement of goods and services. Using the Association of Independent Museums Economic Impact Toolkit it is estimated that in 2017 the site represented a total economic impact of over £2 million to the local economy.

The Charitable Company is aware that the public's opportunity to benefit must not be limited by geographical or other restrictions. Although the Museum is based in Suffolk, visitors come from all over the UK and abroad. As part of other audience development planning, the Trustees regularly discuss the public benefit requirements to ensure that its activities continue to enhance the participation and enjoyment of as many sections of the public as possible.

The Trustees believe they comply with the duty in Section 4 Chapter 1 of the Charities Act 2011 having due regard to the public benefit guidance published by the Charity Commission.

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Achievements and Performance

During 2017 the National Heritage Centre for Horseracing and Sporting Art (run by the National Horseracing Museum) has achieved National Portfolio Organisation (NPO) status with the Arts Council England. In the summer of 2017, the Museum was a short listed finalist in the Arts Fund's prestigious Museum of the Year award alongside significant national institutions such as Tate Modern which generated much positive publicity. In addition, the National Heritage Centre was named 2017 Suffolk Museum of the Year.

Visitor numbers exceeded 30,000 with over 20,000 paying customers compared to a ten year average of 11,000 visitors at the old museum.¹ Geographical analysis of visitors in 2017, clearly demonstrates its UK-wide reach. Reviews on TripAdvisor are consistently positive and also underline the national appeal of the venue.

The National Heritage Centre at Palace House has brought together the Museum with the British Sporting Art Trust and the Retraining of Racehorses charity resulting in a wide range of modern and high quality displays, a much greater range of visitor attractions including live horse activity. The scale of operations has increased accordingly and our staff are supported by more than 100 volunteers.

Engagement with our local communities is a key strategic goal and increasing links are being developed with local schools, together with fine art groups and other cultural groups throughout the United Kingdom. 2017 saw a total of 2,684 individual formal education visitors across the year².

Over 200 Newmarket primary school children took part in the 'Under Starter's Orders' programme and over 120 Year 8 students from Newmarket Academy took part in the Dubai Future Champions Education Week programme. We are extremely grateful to Newmarket Racecourses and Jockey Club Estates for their significant financial contribution to support both these programmes. In terms of Higher Education, Esther Harper our PhD student being co-supervised by the Director and Dr Abigail Woods of King's College, London obtained her doctorate and in relation to continuing professional development, the National Heritage Centre was honoured to host the 2017 Gerald Leigh Memorial Lectures which saw seventy specialists from around the world attend a series of lectures on equine respiratory disease.

Collaboration with Discover Newmarket has been strengthened to assist in targeting group visitors to Newmarket and agreements are in place with Visit Cambridge & Beyond to attract visitors from the Cambridge tourist numbers and with the Apex in Bury St Edmunds. In 2018 the team from Discover Newmarket will be relocated from their temporary home in the offices of Newmarket Racecourses at Westfield House to the National Heritage Centre.

The Museum's Collection

The Museum responds to offers for objects on loan and available for purchase, proactively sourcing loans and acquisitions in line with its Collections Development Policy with particular focus on securing long-term loan material for the displays at the National Heritage Centre. The Trustees are grateful to all those who have supported the development of the Museum through either gifts or loans to the collections.

Acquisitions

There were 150 acquisitions in the year, the most significant being the gift of Sir Winston Churchill's racing silks from the executors of Lady Soames, a silver salver (Derby trainer's trophy) presented by the Friends of the National Horseracing Museum, two letters by Sir Alfred Munnings donated by Mrs Jean Tanner, and ten lithographs donated by the Gosden family.

¹ The lowest level of admissions at the old museum was in 2009 when it attracted just 8,975 visitors

² The total for 2014/15/16 combined was 2,893

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Report of the Trustees for the year ended 31 December 2017 (*Continued*)

Loans

New long term loans included *Snap* by George Stubbs from a private collection, *Herod* by Sawrey Gilpin and *Baronet with Samuel Chifney Up* by John Nost Sartorius from the Royal Collection, *Colonel Thornton* By Reinagle and Gilpin, and four other paintings from the Packard Foundation, *Portrait of Carl Meyer* from a private collection, the Lonsdale Whip from the Labrador Retriever Club, a Red-Figured Neck Amphora from the British Museum, *Quashed* by Sir Alfred Munnings, *The Earl of Derby* by William Orpen and *Hyperion* by Edward Seago lent by the Stanley Collection.

There was also a process of either renewing existing long-term loans which had expired such as *Sansovino*, by Lynford Palmer on loan from the Earl of Derby and *Brown Jack* by Sir Alfred Munnings on loan from the Munnings Museum or returning objects to lenders.

Collections

As the permanent galleries had only been installed in November 2016 there was little change in the Museum galleries, unlike the Packard Galleries which are principally loan material.

No conservation work was carried out apart from condition checking loans as the stored collections are packed up awaiting transfer to the new storage facilities.

The Museum continues to maintain the standards expected of a 'National' Museum as set out by the Arts Council Registration and Accreditation Schemes. The Accreditation panel appointed by Arts Council England met on 21st September 2017 and awarded the organisation Full Accreditation under its new name as the National Heritage Centre for Horseracing and Sporting Art. This underlines its national status, sectoral leadership and role and responsibility to represent the history and culture of horseracing as well as that of sporting art generally across the whole of the UK.

The Trustees are most grateful for the support received during the year from charitable trusts and foundations, generous private donors and supporters and in particular the Heritage Lottery Fund, Arts Council England, The Racing Foundation, the Retraining of Racehorses charity and the British Sporting Art Trust.

Capital Project

Although the capital elements of the redevelopment project are the responsibility of the Home of Horseracing Trust and Forest Heath District Council (FHDC) as freeholder of the Palace House site, it is important to note that the first phase of the project is reaching a conclusion. The final element of the capital works for this phase of the redevelopment saw the completion of the Viewing Stand in the paddocks funded through a generous donation by the Peter O'Sullivan Foundation to the Home of Horseracing Trust which followed an already significant grant from the Foundation to support the creation of the arena.

Fundraising efforts, led by the Museum's Campaign Board, continue to raise funds to support the completion of outstanding Phase 2 galleries (four stable galleries in the King's Yard and Gallery Six, *A Day at the Races* Gallery).

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Report of the Trustees for the year ended 31 December 2017 (Continued)

Special Exhibitions

The Museum continues to mount special exhibitions and 2017 saw the continuation of our well-received programme:

Moller Gallery

- 'Selling Champions, Tattersalls at 250' (October 2016- January 2017)
- 'Chris Smith: Gods of Sport – 50 Years of Contemporary Sports Photography' (February 2017-August 2017)
- 'Painting Winners – the racing pictures of Sir Alfred Munnings' (August 2017-May 2018)

Thompson Gallery

- 'Boxiana – 18th and early 19th C. Boxing Prints'
- 'On Your Bike – the Art of Cycling' (June 2017-February 2018)

Stable 6 in the King's Yard

- Serena Wyman – Palace House Details and Texture' (photographs before the restoration project started)

Stable 5

- Suffolk Punch display (May 2017- May 2018)

Discover Newmarket

The Museum has joined forces with other organisations and businesses in Newmarket to subscribe to a joint venture company, Discover Newmarket (CIC registration number 9362242), offering tours to horseracing attractions in the area. Discover Newmarket has made progress throughout 2017 and visits organised to the Museum have contributed £13,064 to the income of the Museum.

Volunteers

The Trustees would like to thank the circa 100 volunteers who assisted the Museum during 2017. Volunteering is core to the Palace House site, and the employment of a full-time Volunteer Coordinator funded by the Heritage Lottery Fund and the Racing Foundation continued to make a significant impact on the development of the Museum's visitor experience.

A volunteer Fundraising and Events Committee exists to raise funds to support the general running costs of the Museum and consists of 15 volunteers under the Chairmanship of the Hon Treasurer who also chairs a smaller strategic Campaign Board which works on specific fundraising campaigns and is supported by a Part-time Development Officer.

No value is currently placed on the services provided by volunteers as explained in the accounting policy on page 18.

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Report of the Trustees for the year ended 31 December 2017 (Continued)

Financial Review

Taking into consideration income from investments, donations and activities for generating funds the consolidated net deficit for the year before transfers in Unrestricted General Funds was £604,665 (2016: £283,990).

Following transfers to the General Fund of £313,501 (2016: £320,525) from the Designated Fund and of £66,329 (2016: £20,650) of investment income permitted from the HLF Catalyst Endowment Fund, the Unrestricted General Fund result at the year-end was a deficit of £227,789 (2016: surplus £135,598). With the inclusion of net realised and unrealised investment losses of £ nil (2016: losses of £15,022) (see note 14) the overall balance at the year-end of Unrestricted, Designated and Restricted Funds was £150,240 (2016: £776,985) excluding Endowment Fund balances of £2,202,836 (2016: £2,071,470) (see note 22).

The new National Heritage Centre was formally opened in November 2016 and therefore 2017 represents the first full year of operation of the new site, and given the much greater range of activities and the increased scale of operations at the new site, the consolidated operating deficit in 2017 of £631,255 cannot be compared with the previous year's figures.

The Trustees acknowledge that the Group's unrestricted and designated funds amounting to a deficit balance of £216,007 (2016: £325,283 surplus) (excluding heritage assets included in the General Fund – see note 20) will not be adequate to cover any budgeted losses in the short term. As assurance the Museum Trustees are dependent on (1) support from the local councils in the form of short term financing facilities, (2) support from the horseracing and breeding community led by the Racing Foundation which is providing grant funding, (3) support from the Arts Council which is providing grant funding over the period 2018 to 2021, (4) continuing discussions with the Museum's management to build up profitability and (5) the efforts of the Museum's Fundraising Committees to narrow any shortfalls in future income.

A key feature of the Museum's financial structure is the establishment of an Endowment fund which has attracted match-funding under the Heritage Lottery Fund's Catalyst Programme. This fund is important in that whilst its capital cannot be spent on day to day operations, income from the fund can be used to support the Centre's activities. This Endowment fund now holds investment assets valued at £2,192,098 (2016: £1,666,405).

Investment Policy

Management of the Charitable Company's investment portfolio is delegated by the Trustees to Smith & Williamson Investment Management, who advise the Trustees on investment performance. The investment advisors are given the freedom they need to achieve the best results practicable in the circumstances without specific constraints on such matters as social, ethical or environmental considerations.

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Report of the Trustees for the year ended 31 December 2017 (Continued)

Reserves Policy incorporating Future Plans

In line with guidance published by the Charities Commission, the Trustees are concerned to establish an adequate level of unrestricted reserves to enable the organisation to carry out its charitable objectives and to safeguard its activities in the event of unplanned financial challenge.

The National Horseracing Museum holds an endowment fund, restricted funds for specific purposes, designated funds and an unrestricted operational fund. The endowment fund is held to generate income to support the organisation's core operating costs. All the resources held in this fund were donated specifically for this purpose, including the match-funding grant supplied by the Heritage Lottery Fund through its Catalyst programme. As a result, the capital is not available for operational use. The restricted funds are sums given for specific purposes and can only be used for these purposes, details of which are disclosed in note 23 to the financial statements. The designated funds are disclosed in notes 19 to 22. The Heritage Assets for example could not be realised except in a case of liquidation through the sale of the collections.

The Trustees' policy with regard to unrestricted reserves (funds not tied to fixed assets, designated or restricted funds) has been to maintain sufficient resources to meet its obligations as they fall due. Mindful of the need to protect the organisation against future financial challenges through either unplanned operational costs, loss of grant income or unexpected reductions in commercial income, the Trustees intend to raise a minimum free reserve of £375,000 which is equivalent to approximately three months' total expenditure. It is the Trustees' ambition to have raised this sum by 31st March 2022. Until this has been achieved, an agreement has been reached with both Forest Heath District Council and Suffolk County Council jointly to provide a loan facility up to the same sum of £375,000 to cover any such unexpected liabilities. This agreement is for a period of four years (2018 to 2021) but will be reduced by 25% year on year for each of the next four years.

The Museum's Campaign Board has been charged with raising this sum over and above its annual requirement to raise £140,000 as a contribution to core costs, the latter being its immediate priority. If possible in the longer term, the Campaign Board will use its best endeavours to raise a free reserve equivalent to six months' total expenditure (£750,000). The Museum does not engage with any 3rd party external fundraisers to help with this.

Whilst visitor numbers and income arising are taking longer to build than had been anticipated in the Museum's original business plan, the Trustees, with management, have been reviewing the financial performance and position of the Museum and changes to operational staffing levels have been made. With the support on page 10 together with the implementation of the revised business plan, the Trustees are confident that these measures will put the Museum on a sound financial footing whilst the longer term goal of increasing the level of the Museum's Endowment Fund is achieved.

In line with Charities Commission advice this aspiration will be kept under regular review by the Audit and Performance Committee under delegated authority from the full Board and will be reviewed annually by the full Board in order to ensure that there is an appropriate balance between monies tied up in free reserves and sums available to be spent for charitable activities.

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Report of the Trustees for the year ended 31 December 2017 (Continued)

Trustees' Responsibilities for the Financial Statements

Charity law and company law both require the Trustees (who also act as Directors for the purposes of company law) to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charitable Company as at the balance sheet date and of its incoming resources and application of resources, including income and expenditure, for the financial year. In preparing those financial statements, the Trustees are required to follow best practice and:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charitable Company and 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.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

A resolution to reappoint RSM UK Audit LLP, Chartered Accountants, as auditors will be put to the Trustees at the Annual General Meeting.

Statement as to disclosure of information to auditors

The Trustees who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware:

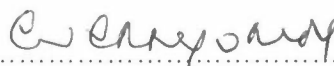
- there is no relevant audit information of which the auditors are unaware; and
- they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

By order of the Trustees on 18 July 2018



Rachel Hood (Chair of Trustees)



Christopher Tregoning (Hon Treasurer)

THE NATIONAL HORSERACING MUSEUM

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Independent Auditor's Report to the Members of the National Horseracing Museum

Opinion on financial statements

We have audited the financial statements of The National Horseracing Museum (the 'parent charitable company') and its subsidiary (the 'group') for the year ended 31 December 2017 which comprise the Group Statement of Financial Activities, the Group and Charitable Company Balance Sheets, the Group and Charitable Company Cash Flow Statements 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 group's and the parent charitable company's affairs as at 31 December 2017 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

Basis for opinion

We have been appointed auditors under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

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

Conclusions relating to going concern

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

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

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

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Independent Auditor's Report to the Members of the National Horseracing Museum (continue)

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

As explained more fully in the Statement of Trustees' responsibilities set out on page 12, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

RSM UK Audit LLP

CLAIRE SUTHERLAND (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Abbotsgate House
Hollow Road
Bury St Edmunds
Suffolk, IP32 7FA

7 August 2018

THE NATIONAL HORSERACING MUSEUM

(A Charitable Company limited by guarantee and not having share capital)

Consolidated Statement of Financial Activities incorporating the Income and Expenditure Account for the year ended 31 December 2017

	Note	Unrestricted £	Designated £	Restricted £	Endowment £	Total 2017 £	Total 2016 £ <i>Note 27</i>
Income from:							
Grants and donations	3	272,397	-	303,098	2,402	577,897	2,511,059
Charitable activities	4	284,877	-	-	-	284,877	92,203
Other trading activities	5	400,141	-	-	-	400,141	362,059
Investments	2	368	-	-	66,338	66,706	27,574
Total income		957,783	-	303,098	68,740	1,329,621	2,992,895
Expenditure on:							
Costs of raising funds	6	557,002	-	42,429	420	599,851	584,573
Charitable activities	7	1,005,446	-	349,078	6,501	1,361,025	1,155,496
Total expenditure		1,562,448	-	391,507	6,921	1,960,876	1,740,069
Net gains/(losses) on investments	14	-	-	-	135,606	135,606	26,882
Net (expenditure)/income		(604,665)	-	(88,409)	197,425	(495,649)	1,279,708
Transfers between funds	22/23	376,876	(313,501)	2,954	(66,329)	-	-
Net movement in funds		(227,789)	(313,501)	(85,455)	131,096	(495,649)	1,279,708
Reconciliation of funds:							
Fund balances brought forward	22/23	147,510	313,501	315,974	2,071,740	2,848,725	1,569,017
Fund balances carried forward	22/23	(80,279)	-	230,519	2,202,836	2,353,076	2,848,725

All recognised gains and losses are included within the above statement. All amounts relate to continuing activities.

The notes on pages 19 to 36 form part of these financial statements.

Consolidated Balance Sheet at 31 December 2017

	Note	2017	2016
		£	£
Fixed assets			
Tangible fixed assets	12	3,766,458	3,783,396
Heritage assets	13	264,917	262,142
Investments	14	2,192,098	1,666,405
Total fixed assets		6,223,473	5,711,943
Current assets			
Stocks	16	93,089	111,998
Debtors	17	295,498	1,205,585
Cash at bank and in hand		278,026	437,556
Total current assets		666,613	1,755,139
Liabilities			
Creditors falling due within one year	18	(4,537,010)	(4,618,357)
Net current liabilities		(3,870,397)	(2,863,218)
Net assets		2,353,076	2,848,725
The funds of the group:			
Unrestricted funds			
General fund	22	(80,279)	147,510
Designated Museum Collection fund	22	-	-
Designated Working Capital fund	22	-	313,501
Restricted funds	23	230,519	315,974
Endowment funds	22	2,202,836	2,071,740
Total group funds		2,353,076	2,848,725

The financial statements on pages 15 to 36 were approved by the Trustees and authorised for issue on 18 July 2018.

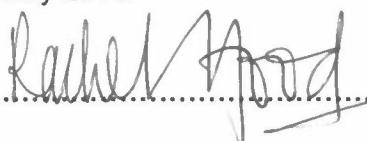
.......... Rachel Hood (Chair of Trustees)

.......... Christopher Tregoning (Hon Treasurer/Trustee)

Charity Balance Sheet at 31 December 2017

	Note	2017	2016
		£	£
Fixed assets			
Tangible fixed assets	12	3,762,000	3,783,396
Heritage assets	13	264,917	262,142
Investments	14	2,192,099	1,666,406
Total fixed assets		6,219,016	5,711,944
Current assets			
Stocks	16	-	-
Debtors	17	567,712	1,269,810
Cash at bank and in hand		168,056	416,893
Total current assets		735,768	1,686,703
Liabilities			
Creditors falling due within one year	18	(4,473,231)	(4,542,556)
Net current liabilities		(3,737,463)	(2,855,853)
Net assets		2,481,553	2,856,091
The funds of the charity:			
Unrestricted funds			
General fund	21	48,198	154,876
Designated Museum Collection fund	21	-	-
Designated Working Capital fund	21	-	313,501
Restricted funds	23	230,519	315,974
Endowment funds	21	2,202,836	2,071,740
Total charity funds		2,481,553	2,856,091

The financial statements on pages 15 to 36 were approved by the Trustees and authorised for issue on 18 July 2018.

..........**Rachel Hood (Chair of Trustees)**

..........**Christopher Tregoning (Hon Treasurer/Trustee)**

THE NATIONAL HORSERACING MUSEUM
(A Charitable Company limited by guarantee and not having share capital)

Cash flow statements for the year ended 31 December 2017

	Note	2017		2016	
		Group £	Charity £	Group	Charity £
Net cash provided by operating activities	25	187,223	92,177	4,560,095	4,539,433
Cash flows from investing activities					
Acquisition of investment in subsidiary		-	-	-	(1)
Interest income		378	378	517	517
Investment income		66,329	66,329	27,057	27,057
Movement in investment cash		216,415	216,415	136,218	136,218
Purchase of investments		(787,367)	(787,367)	(941,767)	(941,767)
Purchase of tangible fixed assets		(15,534)	(9,798)	(3,786,980)	(3,786,980)
Purchase of heritage assets		(2,775)	(2,775)	(2,690)	(2,690)
Proceeds on disposal of tangible fixed assets		-	-	1,417	1,417
Proceeds on disposal of investments		175,801	175,801	308,473	308,473
Cash used in investing activities		(346,753)	(341,017)	(4,257,755)	(4,257,756)
Cash flows from financing activities					
Proceeds of new borrowings		50,000	50,000	-	-
Repayment of borrowings		(50,000)	(50,000)	-	-
Cash flows from financing activities		-	-	-	-
Increase/(decrease) in cash and cash equivalents in year		(159,530)	(248,840)	302,340	281,677
Cash and cash equivalents at the beginning of the year		437,556	416,896	135,216	135,216
Cash and cash equivalents at the end of the year		278,026	168,056	437,556	416,893
Analysis of cash and cash equivalents					
		2017 £	2017 £	2016 £	2016 £
Cash in hand		278,026	168,056	437,556	416,893

THE NATIONAL HORSERACING MUSEUM
(A Charitable Company limited by guarantee and not having share capital)

Notes forming part of the financial statements for the year ended 31 December 2017

1 ACCOUNTING POLICIES

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

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 2016) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The National Horseracing Museum is a charitable company limited by guarantee, incorporated in the UK which 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.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

Basis of consolidation

The consolidated financial statements incorporate the accounts of the charity and those of its trading subsidiary, Palace House Trading Ltd, for the period ended 31 December 2017 on a line by line basis. A separate Statement of Financial Activity (SOFA) is not presented because the charity has taken advantage of the exemptions afforded by Section 408 of the Companies Act 2006.

Going concern

The Trustees believe the going concern basis of preparation for these financial statements is appropriate despite the reported deficit before transfers to the General Fund. The Trustees believe the Charitable Company will have sufficient financing available to meet its liabilities as they fall due for at least 12 months from the date of approving and signing these financial statements. An agreement has been reached with both Forest Heath District Council and Suffolk County Council jointly to provide a loan facility up to the same sum of £375,000 to cover any such unexpected liabilities. This agreement is for a period of four years (2018 to 2022) but will be reduced by 25% year on year for each of the next four years.

Income

All grants, donations and income from charitable activities are recognised when the Charitable Company is legally entitled to the income and the amount can be quantified with reasonable probability. Income is only deferred when admission fees or other income are received in advance.

Income from other trading activities is recognised as earned when the related goods and services are provided.

Investment income is recognised on a receivable basis.

Volunteers and donated services and facilities

The value of services provided by volunteers is not incorporated in these financial statements. Their valuable contribution is recognised in the Report of the Trustees.

There are no donated services or facilities to recognise in these financial statements. If services are provided to the Charitable Company as a donation that would normally be purchased from suppliers, these will be included in the financial statements at an estimate of the value of the contribution to the Charitable Company.

THE NATIONAL HORSERACING MUSEUM
(A Charitable Company limited by guarantee and not having share capital)

Notes forming part of the financial statements for the year ended 31 December 2017 (Continued)

1 ACCOUNTING POLICIES (Continued)

Expenditure

Expenditure is recognised when a liability is incurred. Contractual arrangements are recognised as goods and services when supplied or when a constructive obligation arises which results in the payment being unavoidable.

- Costs of raising funds are those costs incurred in running the Museum Café, Gift Shop, Tours and Fundraising Events and, in these consolidated accounts, include the costs incurred by the trading subsidiary.
- Charitable activities relate to the costs of running of the Museum.
- Support costs have been allocated to the relevant activity cost categories on a basis consistent with the use of those resources. This has been via an estimated percentage by the Trustees where it is not practical to identify actual costs.

Irrecoverable VAT

All resources expended are classified under activity headings that aggregate all costs related to that category. The Charitable Company is partially culturally exempt, and irrecoverable VAT is charged against the category of resources expended for which it was incurred.

Museum collections heritage assets

The collection consists of historic assets associated with horseracing. The value shown in the accounts is that of purchases added to the collection over a period of years. No value has been attributed to donated items added to the collection prior to 2005.

The Trustees consider that the historic nature of the collections, which is displayed in the National Horseracing Museum in furtherance of the Charitable Company's objects, is such that it is not appropriate to place a value on the entire collection, as the significant cost involved would be onerous compared with the additional benefit derived by the users of the financial statements.

No provision is made for diminution in value of the Museum collections, as in the opinion of the Trustees its value is maintained.

Tangible fixed assets and depreciation

Tangible fixed assets (those items purchased costing in excess of £350) are stated at cost, less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value, of each asset on a straight-line basis, over its expected life as follows:

Leasehold property	- over the period of the lease
Computer equipment	- over 3 years
Other equipment/fixtures, fittings, furniture-	over 5 years
Motor vehicles	- over 5 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were the age and in the condition expected at the end of its useful life.

Tangible fixed assets are assessed for impairment at each reporting date. Any impairments losses or reversals of impairment losses are recognised immediately in the net movement in funds.

THE NATIONAL HORSERACING MUSEUM
(A Charitable Company limited by guarantee and not having share capital)

Notes forming part of the financial statements for the year ended 31 December 2017 (Continued)

1 ACCOUNTING POLICIES (Continued)

Investments

Listed fixed asset investments are included in the balance sheet at their bid valuation, as advised by the Investment Managers, adjusted for permanent diminution in value. Realised and unrealised gains or losses from the respective sale and revaluation of investments are separately identified in the Statement of Financial Activities and are divided between the funds in proportion to the units allotted to each fund.

Investment in subsidiary

In the separate accounts of the company, the interest in the subsidiary is initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

The interest in the subsidiary is assessed for impairment at each reporting date. Any impairment loss or reversal of impairment losses are recognised immediately in the net movement in funds.

Stock

Stock, being goods held for resale, is stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in first out basis. Net realisable value is based on estimated selling price.

Operating leases

Rental expenditure applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Financial instruments

The Charitable Company 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.

Financial assets

Basic financial assets including trade and other receivables are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Statement of Financial Activities, which are initially measured at fair value.

Equity investments (excluding investments in subsidiaries) are valued in accordance with the accounting policy above.

Financial liabilities

Basic financial liabilities, including trade and other payables are recognised at transaction price. Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities where payment is due within one year or less. If not, they are presented as creditors due after more than one year. Trade payables are recognised at transaction price.

Pensions

The Charitable Company contributes to the personal pension plans of certain employees. The cost is charged to the income and expenditure account as contributions fall due.

Taxation

The Charitable Company is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects.

THE NATIONAL HORSERACING MUSEUM

(A Charitable Company limited by guarantee and not having share capital)

Notes forming part of the financial statements for the year ended 31 December 2017 (*Continued*)

1 ACCOUNTING POLICIES (*Continued*)

Fund accounting

The Charitable Company maintains various types of funds as follows:

Endowment funds

The endowment funds, (otherwise known as The Heritage Lottery Catalyst Endowment Fund) represents monies raised to establish a permanent endowment fund which will continue in perpetuity and only investment income from the endowment fund may be drawn upon for transfer to the General Fund.

Restricted funds

The restricted funds represent monies received to fund specific activities and to purchase certain items for the collection as set out in note 23 of the financial statements.

Unrestricted funds

General unrestricted funds represent monies which are expendable at the discretion of the Trustees in the furtherance of the objects of the Charitable Company. Such funds may be held in order to finance both working capital and capital investment.

Designated funds

The designated funds represents amounts which have been put aside out of unrestricted funds at the discretion of the Trustees and may be made available for general purposes if necessary at the discretion of the Trustees as explained in Note 21.

Legal status of the Charitable Company

The Charitable Company has no share capital but is limited by guarantee. Every member of the Charitable Company is a guarantor and undertakes to contribute such amounts as may be required to the assets of the Charitable Company in the event of it being wound up. Each guarantor's liability is limited to £1.

Critical accounting estimates and areas of judgements

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 circumstance

Critical accounting estimates and assumptions

The Charitable Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results.

The carrying value of the Museum's collection of heritage assets is held at cost and not depreciated. In concluding that these assets are not impaired management makes estimates as to the current value of the assets and their value in use.

Critical areas of judgement

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Charitable Company as lessee.

THE NATIONAL HORSERACING MUSEUM

(A Charitable Company limited by guarantee and not having share capital)

Notes forming part of the financial statements for the year ended 31 December 2017 (Continued)

2 INVESTMENT INCOME

	Unrestricted Funds	Designated Funds	Endowment Funds	2017	2016
	£	£	£	£	£
Listed investments	-	-	66,006	66,006	26,128
Tax recoverable	-	-	322	322	929
Bank deposits	368	-	10	378	517
	368	-	66,338	66,706	27,574

3 INCOME FROM DONATIONS AND LEGACIES

	2017	2016
	£	£
Unrestricted income		
British Sporting Arts Trust donations	25,625	25,000
Racing Foundation	150,000	-
Fundraising events	83,570	50,857
Sponsorship	-	15,000
Museum of the year finalist	10,000	-
Other donations	3,202	170
	272,397	91,027
Restricted income		
Home of Horseracing Trust	171,007	580,500
Friends of the National Horseracing Museum	5,675	2,190
Norfolk County Council	-	1,200
Association of Independent Museums	-	5,048
British Sporting Art Trust	50,000	-
Racing Foundation	16,500	52,500
Jockey Club Education match funding	15,000	15,000
Retraining of Racehorses	1,560	210,000
Wellcome Trust	19,356	70,708
Association of Suffolk Museums	500	636
Evelyn Rothschild – Fountain restoration	-	16,700
Frances Stanley – Charles II Statue	-	60,761
Jockey Club Racecourses – Newmarket Monopoly	-	17,388
Ernest Cook Education	12,000	-
Anonymous and other donations	11,500	858
	303,098	1,033,489
Designated income		
Home of Horseracing Trust Working Capital	-	320,000
Endowment income		
HLF Catalyst Endowment Fund – Various donors	2,402	516,688
HLF Catalyst Endowment Fund – HLF match funding	-	549,855
	2,402	1,066,543
TOTAL DONATIONS AND LEGACIES	577,897	2,511,059

Details on the contribution of volunteers to the charitable company have been included within the Trustees report, on page 9.

THE NATIONAL HORSERACING MUSEUM

(A Charitable Company limited by guarantee and not having share capital)

Notes forming part of the financial statements for the year ended 31 December 2017 (Continued)

4 INCOME FROM CHARITABLE ACTIVITIES

	2017 £	2016 £
Unrestricted income		
Admissions	276,229	89,371
Other income	8,648	2,832
	<u>284,877</u>	<u>92,203</u>

5 INCOME FROM OTHER TRADING OPERATIONS

	2017 £	2016 £
Shop	-	70,394
Cafe	-	49,665
Other activities	2,584	8
Fundraising activities and events	7,665	46,715
Conference management	-	1,800
Palace House Trading	389,892	193,477
	<u>400,141</u>	<u>362,059</u>

6 ANALYSIS OF EXPENDITURE ON COSTS OF RAISING FUNDS

	Unrestricted Funds £	Restricted Funds £	Designated Funds £	Endowment Funds £	Total 2017 £	Total 2016 £
Shop	-	-	-	-	-	81,542
Web shop	-	-	-	-	-	3,281
Café	-	-	-	-	-	51,526
Mews	18	-	-	-	18	380
Other activities	276	500	-	420	1,196	987
Fundraising activities and events	5,994	2,750	-	-	8,744	62,999
Support costs	39,713	39,179	-	-	78,892	218,355
Palace House Trading	511,001	-	-	-	511,001	165,503
	<u>557,002</u>	<u>42,429</u>	<u>-</u>	<u>420</u>	<u>599,851</u>	<u>584,573</u>

THE NATIONAL HORSERACING MUSEUM

(A Charitable Company limited by guarantee and not having share capital)

Notes forming part of the financial statements for the year ended 31 December 2017 (Continued)

7 ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Designated Funds £	Endowment Funds £	Total 2017 £	Total 2016 £
Wages	22,917	-	-	-	22,917	11,469
Exhibition and conservation costs	52,376	20,384	-	-	72,760	114,034
Support costs	930,153	328,694	-	6,501	1,265,348	1,029,993
	<u>1,005,446</u>	<u>349,078</u>	<u>-</u>	<u>6,501</u>	<u>1,361,025</u>	<u>1,155,496</u>

8 ALLOCATION OF GOVERNANCE AND SUPPORT COSTS

The Charitable Group allocates its support and governance costs as shown below. Support and governance costs are allocated on a basis consistent with the use of resources.

Support cost	Costs of raising funds £	Charitable activities £	Total 2017 £	Total 2016 £
Wages and salaries	5,732	642,930	648,662	550,231
Property costs	6,485	243,609	250,094	248,122
Depreciation	15,419	15,178	30,597	29,183
Advertising and publicity costs	13,636	57,126	70,762	75,082
Administration costs	37,620	306,505	344,125	345,730
	<u>78,892</u>	<u>1,265,348</u>	<u>1,344,240</u>	<u>1,248,348</u>

9 MOVEMENT IN TOTAL FUNDS FOR THE YEAR

	2017 £	2016 £
This is stated after charging:		
Auditor's remuneration: - statutory audit	10,900	10,550
- other	1,025	975
Depreciation of tangible fixed assets	32,471	30,601
Operating lease rentals – plant & machinery	19,784	4,950
Profit on disposal of fixed asset	-	1,417

THE NATIONAL HORSERACING MUSEUM
(A Charitable Company limited by guarantee and not having share capital)

Notes forming part of the financial statements for the year ended 31 December 2017 (Continued)

10 STAFF NUMBERS

	2017 Number	2016 Number
Administration	20	14
Visitor Services/Retail	35	39
	<u>55</u>	<u>53</u>

The above employee numbers includes part-time staff. An estimate of the average number of full time equivalent employees is 31 (2016: 36).

11 STAFF COSTS, TRUSTEE REMUNERATION AND THE COST OF KEY MANAGEMENT PERSONNEL

	2017 £	2016 £
Wages and salaries	844,104	597,954
Social security costs	57,835	49,673
Pension costs	19,078	16,136
	<u>921,017</u>	<u>663,763</u>

One employee received remuneration/benefits totalling between of £60,000 and £70,000 (2016: one between £60,000 and £70,000). Pension costs are allocated to activities in proportion to the related staffing costs incurred.

The Trustees of the Museum were not paid or received any other benefits from employment with the Museum in the year (2016: £nil) Reimbursed expenses for specific travel, accommodation and reimbursement of sundry expenses personally and properly incurred on behalf of the Museum during the year were £792 (2016: £2,810). None of the Trustees received payment for professional or other services supplied to the Charitable Group (2016: £nil).

The key management personnel of the Museum comprise the Museum Director, the Commercial Director, the Curator/Deputy Museum Director and the Financial Manager. The total employee remuneration, benefits and employer costs of the key management personnel of the Charitable Group were £253,319 (2016: £237,137).

Included within wages and salaries are redundancy costs totalling £52,869 for the group. These were due to positions no longer being required. No funding was received relating to the payments and the payments were all made within the year to 31 December 2017.

THE NATIONAL HORSERACING MUSEUM

(A Charitable Company limited by guarantee and not having share capital)

Notes forming part of the financial statements for the year ended 31 December 2017 (Continued)

12 TANGIBLE FIXED ASSETS (GROUP)

	Land & Buildings £	Equipment Fixtures Fittings & Furniture £	Motor vehicles £	Total £
<i>Cost</i>				
At 1 January 2017	3,690,417	193,365	46,653	3,930,435
Additions	-	12,950	2,583	15,533
At 31 December 2017	3,690,417	206,315	49,236	3,945,968
<i>Depreciation</i>				
At 1 January 2017	-	126,307	20,732	147,039
Charge for the year	-	22,624	9,847	32,471
At 31 December 2017	-	148,931	30,579	179,510
<i>Carrying value</i>				
At 31 December 2017	3,690,417	57,384	18,658	3,766,458
At 31 December 2016	3,690,417	67,058	25,921	3,783,396

TANGIBLE FIXED ASSETS (CHARITY)

	Land & Buildings £	Equipment Fixtures Fittings & Furniture £	Motor vehicles £	Total £
<i>Cost</i>				
At 1 January 2017	3,690,417	193,365	46,653	3,930,435
Additions	-	7,212	2,584	9,796
At 31 December 2017	3,690,417	200,577	49,237	3,940,231
<i>Depreciation</i>				
At 1 January 2017	-	126,307	20,732	147,039
Charge for the year	-	21,345	9,847	31,192
At 31 December 2017	-	147,652	30,579	178,231
<i>Carrying value</i>				
At 31 December 2017	3,690,417	52,925	18,658	3,762,000
At 31 December 2016	3,690,417	67,058	25,921	3,783,396

THE NATIONAL HORSERACING MUSEUM

(A Charitable Company limited by guarantee and not having share capital)

Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

13 HERITAGE ASSETS (CHARITY AND GROUP)

	2013 £	2014 £	2015 £	2016 £	2017 £
<i>Cost</i>					
1 January 2017	251,995	255,095	258,327	259,452	262,142
Additions	3,100	3,232	1,125	2,690	2,775
31 December 2017	255,095	258,327	259,452	262,142	264,917

During the year, there were recognised additions of £2,775 (2016: £2,190) donated by the Friends of the National Horseracing Museum, as referred to on Page 4.

14 FIXED ASSETS INVESTMENTS (CHARITY AND GROUP)

	Shares in subsidiary	Designated £	Investment portfolio Restricted £	Endowment £	2017 £	2016 £
Market value 1 January 2017	1	-	-	1,440,874	1,440,875	780,697
Additions	-	-	-	788,186	788,186	941,768
Disposal proceeds	-	-	-	(181,683)	(181,683)	(308,473)
Realised and unrealised investment (losses)/gains	-	-	-	135,606	135,606	26,882
Market value						
31 December 2017	1	-	-	2,182,983	2,182,984	1,440,874
Cash	-	-	-	9,115	9,115	225,532
Total investments at 31 December 2017	1	-	-	2,192,098	2,192,099	1,666,406
Group	-	-	-	2,192,098	2,192,098	1,666,405
Charity	1	-	-	2,192,098	2,192,099	1,666,406
Historical cost of investments held at 31 December 2017						
Group	-	-	-	2,037,547	2,037,547	1,786,287
Charity	1	-	-	2,037,547	2,037,548	1,786,288
Unrealised gains included in net investment gains/(losses)	-	-	-	130,623	130,623	29,715

THE NATIONAL HORSERACING MUSEUM
(A Charitable Company limited by guarantee and not having share capital)

Notes forming part of the financial statements for the year ended 31 December 2017 (Continued)

15 INVESTMENT IN SUBSIDIARY – CHARITY

	£
Cost at 1 January and 31 December 201	<u>1</u>

The following was a subsidiary undertaking throughout the year and has been included in the consolidated financial statements:

Name of undertaking	Class of shareholding	Proportion of nominal value held directly	Nature of business
Palace House Trading Limited	Ordinary	100%	Retail, restaurant, café and event catering services

16 STOCK

	Group		Charity	
	2017 £	2016 £	2017 £	2016 £
Goods held for resale	<u>93,089</u>	<u>111,998</u>	<u>-</u>	<u>-</u>

17 DEBTORS

	Group		Charity	
	2017 £	2016 £	2017 £	2016 £
Trade debtors	42,972	63,984	24,711	25,576
Amounts owed by subsidiary	-	-	300,461	114,437
Other debtors	25,802	623,395	25,802	611,591
Prepayments and accrued income	226,724	518,206	216,738	518,206
	<u>295,498</u>	<u>1,205,585</u>	<u>567,712</u>	<u>1,269,810</u>

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Charity	
	2017 £	2016 £	2017 £	2016 £
Lease Premium	4,250,000	4,250,000	4,250,000	4,250,000
Trade creditors	158,252	239,054	128,872	214,309
Other creditors	5,140	34,701	5,140	4,474
Other taxes and social security	31,771	33,269	15,145	12,440
Accruals and deferred income	91,847	61,333	74,074	61,333
	<u>4,537,010</u>	<u>4,618,357</u>	<u>4,473,231</u>	<u>4,542,556</u>

THE NATIONAL HORSERACING MUSEUM**(A Charitable Company limited by guarantee and not having share capital)****Notes forming part of the financial statements for the year ended 31 December 2017 (Continued)****19 CHARITY ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	Heritage Assets £	Other tangible fixed assets £	Investments £	Net current (liabilities)/ assets £	Total £
General fund	135,728	3,762,000	1	(3,849,531)	48,198
Designated funds	-	-	-	-	-
Restricted funds	129,189	-	-	101,330	230,519
Endowment fund	-	-	2,192,098	10,738	2,202,836
	<u>264,917</u>	<u>3,762,000</u>	<u>2,192,099</u>	<u>(3,737,463)</u>	<u>2,481,553</u>

The National Horseracing Museum recognises the position of the general fund of the Charity is behind targeted levels of reserves. The Trustees, with management, have been reviewing the financial performance and position of the Museum, the Trustees are confident that the support described on page 10 in the Trustees' Report together with the revised business plan will ensure that future unrestricted working capital is available to support the future levels of operation that have been proposed.

20 GROUP ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Heritage Assets £	Other tangible fixed assets £	Investments £	Net current (liabilities)/ assets £	Total £
General fund	135,728	3,766,458	-	(3,982,465)	(80,279)
Designated funds	-	-	-	-	-
Restricted funds	129,189	-	-	101,330	230,519
Endowment fund	-	-	2,192,098	10,738	2,202,836
	<u>264,917</u>	<u>3,766,458</u>	<u>2,192,098</u>	<u>(3,870,397)</u>	<u>2,353,076</u>

The National Horseracing Museum recognises the position of the general fund of the Group is behind targeted levels of reserves. The Trustees, with management, have been reviewing the financial performance and position of the Museum, the Trustees are confident that the support described on page 10 in the Trustees' Report together with the revised business plan will ensure that future unrestricted working capital is available to support the future levels of operation that have been proposed.

THE NATIONAL HORSERACING MUSEUM

(A Charitable Company limited by guarantee and not having share capital)

Notes forming part of the financial statements for the year ended 31 December 2017 (Continued)

21 CHARITY ANALYSIS OF MOVEMENTS IN UNRESTRICTED, DESIGNATED AND ENDOWMENT FUNDS

	Balance at 1 January 2017 £	Income £	Expenditure £	Transfers £	Investment gains/ (losses) £	Balance at 31 December 2017 £
General fund	154,876	567,891	(1,051,445)	376,876	-	48,198
Designated funds:						
Working capital	313,501	-	-	(313,501)	-	-
HLF Endowment Fund	2,071,740	68,740	(6,921)	(66,329)	135,606	2,202,836
	<u>2,540,117</u>	<u>636,631</u>	<u>(1,058,366)</u>	<u>(2,954)</u>	<u>135,606</u>	<u>2,251,034</u>

The designated working capital fund which was established in 2015 made a transfer to the General fund in the year of £313,501 (2016: £150,000) to finance the day to day activities of the Museum. The fund carries a closing balance of £Nil.

All capital raised for the Heritage Lottery Fund Endowment Fund will form a permanent fund. The investment income of £66,329 derived from this fund is eligible for transfer to the General Fund, and was so transferred. (2016: £20,650).

Transfers totalling £2,954 have been made to the Charles II Statue fund, representing the shortfall in donations compared to required spend for the Statue (see note 23).

22 GROUP ANALYSIS OF MOVEMENTS IN UNRESTRICTED, DESIGNATED AND ENDOWMENT FUNDS

	Balance at 1 January 2017 £	Income £	Expenditure £	Transfers £	Investment gains/ (losses) £	Balance at 31 December 2017 £
General fund	147,510	957,783	(1,562,448)	376,876	-	(80,279)
Designated funds:						
Working capital	313,501	-	-	(313,501)	-	-
HLF Endowment Fund	2,071,740	68,740	(6,921)	(66,329)	135,606	2,202,836
	<u>2,532,751</u>	<u>1,026,523</u>	<u>(1,569,369)</u>	<u>(2,954)</u>	<u>135,606</u>	<u>2,122,557</u>

THE NATIONAL HORSERACING MUSEUM
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Notes forming part of the financial statements for the year ended 31 December 2017 *(Continued)*

23 ANALYSIS OF MOVEMENTS IN RESTRICTED FUNDS

Charity and Group	Balance at 1 January 2017	Income	Expenditure	Transfers	Balance at 31 December 2017
	£	£	£	£	£
1) Museum Collection Purchases	126,414	5,675	(2,900)	-	129,189
2) Exhibition Donations	13,439	-	-	-	13,439
3) Project Posts Funding	22,021	121,856	(124,841)	-	19,036
4) Relocation Funds	(83,103)	138,007	(75,795)	-	(20,891)
5) Education Funds	53,016	27,000	(57,837)	-	22,179
6) Other	3,573	3,000	(3,000)	(585)	2,988
7) Rothschild's Fountain Restoration	9,548	-	(5,456)	-	4,092
8) Charles II Statue	12,001	-	(15,540)	3,539	-
9) Retraining of Racehorses	159,065	1,560	(106,138)	-	54,487
10) Farriers Block	-	6,000	-	-	6,000
	<u>315,974</u>	<u>303,098</u>	<u>(391,507)</u>	<u>2,954</u>	<u>230,519</u>

Transfers totalling £2,954 have been made to the Charles II Statue fund, representing the shortfall in donations compared to required spend for the Statue.

Transfers totalling £585 have been made between the Other and Charles II Statue funds to correct a misallocation of income between the funds made during 2016.

1) Museum Collection Purchases

Represents amounts received from the Friends of the National Horseracing Museum for the purpose of acquiring items for the permanent collection. £129,189 is represented by heritage assets and is considered to have been fully spent in accordance with the terms of the original restriction.

2) Exhibition Donations

This fund is for amounts received for expenditure relating to specific exhibitions.

3) Project Posts Funding

Income which has been acquired for a fixed period for the purpose of project development and funding additional employee costs in relation to the project.

4) Relocation Funds

These funds are monies received to facilitate costs incurred in relation to the move to the Palace House site. The deficit on this fund will be resolved through the continued support of the Home of Horseracing Trust.

5) Education Funds

Monies received to facilitate continued employment of Education Officer, education activities and marketing of the education function.

THE NATIONAL HORSERACING MUSEUM
(A Charitable Company limited by guarantee and not having share capital)

Notes forming part of the financial statements for the year ended 31 December 2017 (Continued)

23 ANALYSIS OF MOVEMENTS IN RESTRICTED FUNDS (continued)

6) Other

Various smaller grants and donations received for specific purposes.

7) Rothschild's Fountain Restoration

Funding received to facilitate the restoration of an historic fountain.

8) Charles II Statue

Funding received for the commissioning of a statue of Charles II.

9) Retraining of Racehorses

Grant monies receivable from Retraining of Racehorses for retraining racehorses' onsite.

10) Farriers Block Funding

Monies received to establish a Farrier's block where visiting Farriers will showcase demonstrations.

24 RELATED PARTY TRANSACTIONS

An independent and separately registered charity exists in connection with the National Horseracing Museum in the name of The Friends of the National Horseracing Museum, (charity registration number 291154). Given its independence the Friends' results are not incorporated within these financial statements.

During the year donations were made to the collection by the Friends of the National Horseracing Museum of £2,775 (2016: £2,190). Conservation costs of £2,900 (2016: Nil) were incurred on the Museum's behalf.

The Charitable Company is a member of the newly formed Discover Newmarket, a community interest company (registration number 9362242). During the year income of £13,064 (2016: £9,714) was derived from this association in the form of admissions and cafe revenue. At the year end, a balance of £410 (2016: £1,492) was owed to the Museum by this entity, and a balance of £6,579 (2016: £6,811) was owed by the Museum to this entity.

With the consent of the Charity Commission, Trustees indemnity insurance has been purchased as a part of the insurance cover of the Charitable Company as a whole and is not separately identified within total insurance costs of £35,868 (2016: £24,677).

During the year the Charitable Company recharged costs of £60,652 (2016: £174,844) to its subsidiary Palace House Trading Ltd. Stock of £Nil (2016: £74,025) was transferred to the subsidiary on incorporation at cost. At the year end, a balance of £300,461 (2016: £114,437) was owed to the Charitable Company by the subsidiary.

During the year the former Chairman provided a short term interest free loan of £50,000. This was repaid in full 16 days after it was provided.

THE NATIONAL HORSERACING MUSEUM**(A Charitable Company limited by guarantee and not having share capital)****Notes forming part of the financial statements for the year ended 31 December 2017 (Continued)****25 RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Net income for the year	(495,648)	1,279,708	(374,538)	1,287,074
Depreciation charge	32,472	30,601	31,192	30,601
Profit on disposal of assets	-	(1,417)	-	(1,417)
Investment (gains)/losses	(130,544)	(26,882)	(130,544)	(28,484)
Investment income	(66,706)	(27,574)	(66,706)	(27,574)
Decrease/(increase) in stock	18,909	(73,509)	-	38,489
Decrease/(increase) in debtors	910,087	(1,071,349)	702,098	(1,135,574)
(Decrease)/increase in creditors	(81,347)	4,450,517	(69,325)	4,374,717
Net cash provided by operating activities	187,223	4,560,095	92,177	4,537,832

26 CONTINGENT LIABILITIES

The charitable company is a member of a VAT group with Palace House Trading Limited. Both entities are jointly and severally liable for the VAT liabilities of the group. At 31 December 2017 there was £17,497 (2016: £17,927) payable to HM Revenue and Customs from other group companies.

Whilst no estimate can be established as to any quantum of liability, the Trustees considered that it is possible that VAT recovered in the course of the Museum's business may be repayable in some part to a third party at some point in the future.

THE NATIONAL HORSERACING MUSEUM

(A Charitable Company limited by guarantee and not having share capital)

Notes forming part of the financial statements for the year ended 31 December 2017 (Continued)

27 ANALYSIS OF PRIOR YEAR STATEMENT OF FINANCIAL ACTIVITIES BY FUND

	Unrestricted £	Designated £	Restricted £	Endowment £	Total 2016 £
Income from:					
Grants and donations	91,027	320,000	1,033,489	1,066,543	2,511,059
Charitable activities	92,203	-	-	-	92,203
Other trading activities	362,059	-	-	-	362,059
Investments	258	6,666	-	20,650	27,574
Total income	545,547	326,666	1,033,489	1,087,193	2,992,895
Expenditure on:					
Costs of raising funds	421,185	4,128	158,277	983	584,573
Charitable activities	408,352	382	745,474	1,288	1,155,496
Total expenditure	829,537	4,510	903,751	2,271	1,740,069
Net losses on investments	-	(15,022)	-	41,904	26,882
Net (expenditure)/income	(283,990)	307,134	129,738	1,126,826	1,279,708
Transfers between funds	419,588	(320,525)	(78,413)	(20,650)	-
Net movement in funds	135,598	(13,391)	51,325	1,106,176	1,279,708
Reconciliation of funds:					
Fund balances brought forward	11,912	326,892	264,649	965,564	1,569,017
Fund balances carried forward	147,510	313,501	315,974	2,071,740	2,848,725

28 FINANCIAL INSTRUMENTS

The carrying amount of the Group and Charity's financial instruments at 31 December were:

	Group		Charity	
	2017 £	2016 £	2017 £	2016 £
Financial assets:				
Debt instruments at amortised cost	225,106	1,152,035	507,306	1,216,260
Instruments at fair value through SOFA	2,192,098	1,666,405	2,192,098	1,666,405
Financial liabilities:				
Measured at amortised cost	4,505,239	4,585,088	4,455,733	4,530,116

THE NATIONAL HORSERACING MUSEUM**(A Charitable Company limited by guarantee and not having share capital)****Notes forming part of the financial statements for the year ended 31 December 2017 (Continued)****29 OBLIGATIONS UNDER LEASE COMMITMENTS**

Total future minimum lease commitments under non-cancellable operating leases are:

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
<i>Plant & machinery</i>				
Within one year	19,784	19,796	19,784	19,796
Within two to five years	14,857	34,641	14,857	34,641
	<hr/>	<hr/>	<hr/>	<hr/>
Measured at amortised cost	34,641	54,437	34,641	54,437
	<hr/>	<hr/>	<hr/>	<hr/>