

**Charity Registration No. 1112813**

**Company Registration No. 05514908 (England and Wales)**

**THE POTANIN FOUNDATION**

**TRUSTEES' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**TRUSTEES' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2019**

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**CHARITY INFORMATION, TRUSTEES AND ADVISORS**

<b>Trustees</b>	CAF Global Trustees (the corporate Trustee) Sir John Low CBE
<b>Charity number</b>	1112813
<b>Company number</b>	05514908
<b>Directors of the Corporate Trustee</b>	Sir John Low CBE Mike Dixon Michael Mapstone (Appointed, 15 July 2020) David Stead (Resigned, 31 May 2020)
<b>Registered office</b>	25 Kings Hill Avenue Kings Hill West Malling Kent ME19 4TA
<b>Bankers</b>	Goldman Sachs International River Court 120 Fleet Street London EC4A 2BE
<b>Investment advisers</b>	Goldman Sachs International River Court 120 Fleet Street London EC4A 2BE  J P Morgan International Bank Limited 125 London Wall London EC2Y 5AJ
<b>Auditor</b>	Deloitte LLP Statutory Auditor Hill House 1 Little New Street London EC4A 3TR

**TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019  
(incorporating the Directors' Report)**

The Trustees present their Trustees' report together with the audited financial statements of the charity for the year ended 31 December 2019.

The Trustees' report and financial statements are presented in the charity's operating currency: US dollars (\$).

The Trustees' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemptions, and accordingly exemption has been taken from the requirement to prepare the Strategic Report. The financial statements are prepared in accordance with the small companies' regime.

**Constitution**

The Potanin Foundation is a registered charity (No. 1112813) and a company limited by guarantee (No. 05514908). The directors of the charity are collectively referred to as the Trustees in this report. The names of Trustees who served during the year and at the year end are noted on the preceding page.

**Objectives and activities**

The objective of the charity is to develop education and culture, particularly through the support of students, young tutors and arts professionals.

The charity carries out its objectives by awarding grants principally to support the programmes of the Vladimir Potanin Foundation (VPF) or to beneficiaries with similar charitable objectives as the VPF. The VPF is a well-established charity in Russia and began its operations in 1999 with the purpose of furthering education and art and culture and developing charities and philanthropy more generally. More information on the VPF and its activities can be found at: <http://english.fondpotanin.ru/>.

Since inception the charity has received donations of \$100m from its founder, which had no restrictions placed thereon and consequently constitute unrestricted funds. The Trustees do not anticipate the receipt of any further donations from the founder or from any other donors.

Having regard for the founder's original wish for the charity to support the programmes of the VPF on an enduring basis, from inception to the year under review the Trustees adopted an approach to managing the charity's funds and grantmaking on a similar basis to the management of an endowed foundation. Consequently, the Trustees aimed to ensure that the level of grantmaking and other expenditure preserved the value of the charity's funds in real terms when compared with the United States Consumer Price Index (US CPI) – US dollars being the charity's operating and reporting currency.

However, following a review of the activities of the VPF, in December 2017 the Trustees received a detailed proposal from the VPF for a multi-year grant to fund activities in four categories:

- A Vladimir Potanin Fellowships Programme to provide educational and research grants, such as the funding of scholarships and grants to universities for socially significant projects;
- A Museum Without Borders Programme to develop museums in Russia and bring them to a wider audience, by making grants for new initiatives aimed at increasing audience engagement; and funding study and learning opportunities for museum professionals;
- An Effective Philanthropy Programme with the objective to strengthen the efficiency and effectiveness of charities in Russia and to promote the voluntary sector and philanthropy, through the funding of scholarships for NGO specialists to study at the Said Business School Executive Programme on Social Finance; and making grants to fund research on endowments and philanthropy; and
- A Sport for Social Change Programme to fund the development of amateur sports projects which are recognised to contribute to the well-being of local communities.

Throughout 2018 the Trustees worked with the VPF to refine the details of the proposal and in March 2019, the Trustees signed a grant agreement with the VPF providing funding of up to \$50.6m payable over three years.

## **TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

### **Achievements and performance**

In early 2019 the Trustees awarded and paid a grant of £3m (\$3.96m) to St Edmund Hall (University of Oxford) to be held as a permanent endowment. The endowment will:

- support the associate professorship and teaching fellowship in Earth Sciences (Geology) at St Edmund Hall to be known as the "Vladimir Potanin Associate Professor & Tutorial Fellow"; and
- to endow a research fund to enable greater collaborations with Russian researchers and institutions to be called the "Vladimir Potanin Research Fund".

Throughout the remainder of the year, the charity supported the programmes of the VPF described earlier in this report. By 31 December 2019, the charity had paid \$19.4m of the funds committed to the VPF. Representing the full amount of \$15.3m for the first year of the programme, along with a further \$4.1m representing the first tranche for delivery of the second year of the programme in 2020.

During 2019 the VPF used the funds to implement three of the major programmes, as follows:

- the Vladimir Potanin Fellowship Programme;
- the Museums without Borders Programme; and
- the Effective Philanthropy Programme.

In accordance with the terms of the grant agreement, the Trustees receive and review quarterly reports from the VPF. The reports describe the outcomes and impact achieved by the programmes funded by the charity. Having applied a portion of the funds to build capacity for management of the expansion of its grant programmes, the reports have demonstrated exceptional results with goals for each programme implemented being exceeded, including:

- achieving more cross-sector collaborations;
- increasing the number of programme participants;
- increasing the number of events participants;
- increasing the number of students, professionals and institutions supported;
- growing website and social media audiences; and
- expanding social media reach and social media engagement.

The launch of the fourth programme, the Sport for Social Change programme, was moved to the second phase. This enabled the VPF to focus on efficient and effective expansion of the three programmes falling within its sphere of existing expertise, whilst conducting research and designing the Sport for Social Change programme.

In March 2020 the Trustees also received a report from an independent auditor, which concluded that the financial reporting to the Trustees by the VPF in respect of year one of the programme had been properly prepared in all material respects and was in accordance with the requirements and conditions of the grant agreement.

The Trustees were satisfied with performance and outcomes of the VPF's programmes in 2019 and the development of its plans for the second year of the programme and agreed to continue funding the programme in 2020.

Following the onset of COVID-19 in March 2020 and the associated lockdown, the charity was able to continue its operations without interruption by means of remote working. At the time of signing this report the charity continues to operate effectively on this basis. During the period since the end of the financial year, in which the pandemic continues to have wide-ranging impact on the world, we have seen fluctuations in the market value of investments however they have not fallen below £101.0m, significantly above the level required to meet outstanding commitments to the VPF programmes.

### **Aims for next year**

In the latter stages of 2019 when the Trustees agreed to continue the funding the VPF into the second year of the three year programme, further growth of the programmes was anticipated, along with the launch of the fourth programme – Sports for Social Change.

However, the uncertainty brought by the COVID-19 pandemic in 2020, in line with all organisations, is having a significant impact on the operations of the VPF. The VPF personnel are working remotely from its offices and the three programmes continue to run with the VPF providing support to its

## TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

grantees remotely. However, monitoring visits have been suspended and extensions have been given to existing VPF grantees.

In addition, the Trustees have approved a proposal from the VPF, in respect of the programme it has launched to alleviate the impact of the COVID-19 pandemic on Russian charities. The Trustees agreed that the unspent year-one programme funding of \$1.6m may be applied to this new VPF programme.

The Trustees will continue to review the progress and impact of the VPF's programmes throughout 2020, whilst having regard for the ongoing uncertainties created by the COVID-19 pandemic. Although its impact on financial markets has been significant, the value of investments and consequently funds, held by the charity currently significantly exceed the outstanding commitment to the VPF programmes. At 31 December 2019, \$31.2m of the commitment was outstanding and subsequently two further tranches totalling \$8.3m have been paid to the VPF.

### Financial review

At the balance sheet date the charity's funds were valued at \$89.0m (2018: \$124.6m). The fall in the value of funds reflects the award of \$54.6m of grants in the year, offset against a total investment return for the period of \$19.3m (2018: negative return of \$8.6m).

Investment income of \$1.1m (2018: \$1.0m) was generated in the year. Investments benefited from the world stock market picking up, after a particularly poor fourth quarter in 2018, with unrealised gains on fixed asset investments of \$13.5m (2018: unrealised losses of \$12.2m). The charity also achieved realised gains of \$5.3m (2018: \$3.4m).

Investment management fees paid to the charity's investment managers for management of the charity's investments on a discretionary basis amounted to \$0.7m (2018: \$0.8m).

The grants of \$54.6m awarded in the year as described previously in this report are payable over three years, with \$17.1m falling due in 2020 and the remainder of \$14.1m payable in 2021. No grants were awarded in the previous year.

Overall the charity's net assets decreased by \$35.7m to \$89.0m (2018: decreased by \$8.7m to \$124.6m).

### Risk management and internal control

The Trustees have overall responsibility for ensuring that the charity has an appropriate system of controls, financial or otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the charity and which enable them to ascertain its financial position; and to ensure that the financial statements comply with the Companies Act 2006 and the Charities Act 2011. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees have a risk management strategy which comprises:

- an annual review of the risks the charity may face;
- the establishment of systems and procedures to mitigate those risks identified in the plan; and
- the implementation of procedures designed to minimise any potential impact on the charity should those risks materialise.

The main risks identified are market risk and credit.

#### *Market risk*

Market risk is the risk from adverse movements in external markets including changes in investment values and foreign currency rates that will reduce the value of assets.

The charity's investments have been held to fund long-term philanthropic goals, and consequently during the year Trustees had an objective to preserve the value, in real terms, of the charity's funds. Grantmaking was therefore planned having regard for the potential changes in investment values over time and US CPI. Consequently, the value of investment determined the value of the funds available to make grants. In the event of a fall in investment values, the value of grants would be reduced. The performance of the discretionary investment managers is regularly reviewed by the Trustees.

## **TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

### *Credit risk*

Credit risk is the risk of loss as a result of a failure of a counterparty to meet obligations as they fall due. The company's principal financial assets are fixed asset investments.

The charity's investments are managed on a discretionary basis by two major global investment managers in accordance with investment guidelines approved by the Trustees. The investment guidelines are designed to mitigate exposure to credit risk.

### *COVID-19 pandemic*

The charity continues to monitor the developments surrounding the global pandemic. At present there are uncertainties regarding the outcome which may impact upon the market value of investments and investment income. The trustees have considered the principal areas of uncertainty and potential mitigating actions for counteracting a worst case scenario such as reducing the level of controllable costs and grant payments.

### **Structure, governance and management**

The Trustees ensure efficient and transparent operation of the charity and are responsible for the investment of its assets. The charity's Trustees met seven times in the year (2018: three times). The day-to-day management of the charity is undertaken by Charities Aid Foundation (CAF, registered charity number 268369) under the terms of a tripartite agreement between the charity; its Corporate Trustee (CAF Global Trustees (CAF GT), registered charity number 1111039); and CAF.

None of the Trustees has any beneficial interest in the charity.

### **Appointment of Trustees**

The charity is required to have at least three Trustees, unless CAF GT is acting as corporate trustee, then only two Trustees are required. Accordingly, the Trustees are currently CAF GT and Sir John Low, an executive director of Charities Aid Foundation (CAF). Additional Trustees may be appointed by written resolution of the founder. If the founder shall fail to exercise this right within reasonable time following the date when such appointment is required or be unable to do so within such time, the power to appoint new Trustees passes to the existing Trustees.

### **Public benefit**

The Trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning for the charity's future. The Trustees receive regular reporting on the use of the grants it has made and monitoring is carried out on their behalf to ensure that the grantmaking programme meets the above guidance.

### **Fundraising**

There have been no fundraising activities undertaken in the current or preceding year.

### **Grantmaking policy**

Grants are awarded primarily to support the programmes of the VPF, in accordance with the charity's objectives set out earlier in this report. However, grants can be awarded to other programmes outside of VPF that match the charity's objectives.

### **Reserves policy**

The charity's policy is to maintain an adequate level of resources to support its future activities, such as grantmaking, capital investment and the financing of its operations. Funds held represent general unrestricted funds which are expendable at the discretion of the Trustees in the furtherance of the charity's objectives.

At 31 December 2019, the value of the charity's funds (reserves) stood at \$89.0m (2018: \$124.6m). This is net of the grant funding payable to the VPF and Trustees consider this an adequate level of reserves to support the costs of managing the charity and of the remaining period of the three-year grant programme.



## **TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

### **Going concern**

In order to assess the appropriateness of the going concern assumption basis, the Trustees have considered the charity's financial position, liquidity and unrestricted reserves taking into account the principal risks to which the charity is exposed including the potential impacts of the Covid-19 pandemic and Brexit. Recognising the uncertainty associated with predicting the economic impact of Covid-19, in particular, the Trustees have considered the impact of a severe economic outcome on the charity and the effectiveness of management actions that might be taken to mitigate the impact of this stress. Trustees have also considered the circumstances under which the operations of the charity would be unable to continue. After taking into account the current level of the charity's investments, reserves, grant commitments and the financial performance since 31 December 2019, the Trustees have concluded that the risk of this situation occurring is remote.

Accordingly and after making appropriate enquiries, the Trustees have a reasonable expectation that the charity will be able to continue in operation and meet its liabilities as they fall due for at least twelve months from the date of signing of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### **Investment policy and performance**

The Trustees appoint investment managers to manage the charity's investments on a discretionary basis. Goldman Sachs International and J P Morgan International Bank Limited each manage a portfolio of investments. The investment aim has been to generate income and capital growth to fund grantmaking. At the balance sheet date the charity's funds stood at \$89.0m (2018: \$124.6m).

### **Related parties**

CAF Global Trustees (CAF GT), registered charity number 1111039 has acted as corporate trustee of the charity throughout the year. CAF GT is controlled by CAF, which provides the charity with administrative and managerial services.

### **Post balance sheet events**

Details of the impact of COVID-19 and payments made to the VPF in 2020 have been set out earlier in this report, otherwise there have been no significant post balance sheet events.

### **STATEMENT OF TRUSTEES' RESPONSIBILITIES**

The Trustees (who are also directors of The Potanin Foundation for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS102, "the Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and 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.



**TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019** (continued)

**AUDITOR**

Each of the persons who is a Trustee at the date of approval of this report confirms that:

- so far as the Trustees are aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to appoint auditors of the charity and authorising the board to fix their remuneration will be submitted to the forthcoming Annual General Meeting.

Approved by the Trustees and signed on their behalf on 21 September 2020.



**Sir John Low CBE**  
Chairman of Trustees

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE POTANIN FOUNDATION

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of The Potanin Foundation (the 'charitable company'):

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2019 and of 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of financial activities;
- the balance sheet;
- the cash flow statement; and
- the related notes 1 to 10.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

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 charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the trustees' use of the going concern basis of accounting in 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 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.

We have nothing to report in respect of these matters.

### Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual 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 respect of these matters.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE POTANIN FOUNDATION**

### **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purpose 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 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 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 located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **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, which includes the directors' report prepared for the purposes of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report included within the trustees' report.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

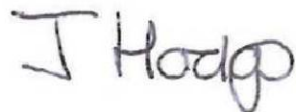
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are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

We have nothing to report in respect of these matters.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE POTANIN FOUNDATION

### 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.

A handwritten signature in dark ink, appearing to read 'J Hodges', is positioned above the printed name and title.

Jessica Hodges ACA  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, UK

Date: 21 September 2020

**STATEMENT OF FINANCIAL ACTIVITIES**  
**(incorporating an Income and Expenditure Account)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

		<b>Unrestricted funds</b>	
	<b>Notes</b>	<b>2019</b>	<b>2018</b>
		<b>\$000</b>	<b>\$000</b>
<b>Income from:</b>			
Investment income	2	1,147	1,027
<b>Total income</b>		<b>1,147</b>	<b>1,027</b>
<b>Expenditure on:</b>			
Raising funds:			
Investment management costs		708	783
Charitable activities:			
Grants payable	3	54,575	-
Costs of charitable activities	4	368	129
<b>Total expenditure</b>		<b>55,651</b>	<b>912</b>
<b>Net (expenditure)/income before net gains on investments</b>		<b>(54,504)</b>	<b>115</b>
Net gains/(losses) on investment assets	7	18,823	(8,800)
<b>Net expenditure</b>		<b>(35,681)</b>	<b>(8,685)</b>
Total funds brought forward		124,649	133,334
<b>Total funds carried forward</b>		<b>88,968</b>	<b>124,649</b>

All items within the above Statement of Financial Activities relate to continuing operations.

There are no other gains or losses other than stated above.

The notes on pages 14 to 21 form an integral part of these financial statements.

# **BALANCE SHEET AS AT 31 DECEMBER 2019**

		2019		2018	
	Notes	\$000	\$000	\$000	\$000
<b>Fixed assets</b>					
Investments	7		120,553		124,767
<b>Current assets</b>					
Cash at bank		28		60	
<b>Creditors: amounts falling due within one year</b>	8	(17,523)		(178)	
<b>Net current liabilities</b>			(17,495)		(118)
<b>Total assets less current liabilities being net current assets</b>			<b>103,058</b>		<b>124,649</b>
<b>Creditors: amounts falling due in greater than one year</b>	9		(14,090)		-
<b>Total assets less total liabilities being net assets</b>			<b>88,968</b>		<b>124,649</b>
<b>Funds</b>					
Unrestricted charitable funds			88,968		124,649
<b>Total funds</b>			<b>88,968</b>		<b>124,649</b>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The notes on pages 14 to 21 form an integral part of these financial statements.

Approved by the Trustees and authorised for issue and signed on their behalf on 21 September 2020.



**Sir John Low CBE**  
Chairman of Trustees

Registered Charity No. 1112813  
Company Registration No. 05514908 (England and Wales)

# **CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

		<b>2019</b>		<b>2018</b>	
	<b>Notes</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Cash flows from operating activities</b>					
Net cash used in operating activities			(24,216)		(912)
<b>Cash flow from investing activities</b>					
Cash withdrawn from investment portfolios		24,184		942	
<b>Net cash provided by investing activities</b>	10		24,184		942
<b>Change in cash and cash equivalents in the year</b>			<b>(32)</b>		<b>30</b>
Cash and cash equivalents as at 1 January 2019			60		30
<b>Cash and cash equivalents as at 31 December 2019</b>			<b>28</b>		<b>60</b>

## **Reconciliation of net income to cash flows from operating activities**

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
Net (expenditure) / income	(35,681)	(8,685)
Losses / (gains) on financial investments	(18,823)	8,800
Investment income received into cash held by investment managers	(1,147)	(1,027)
Increase in creditors	31,435	-
<b>Net cash used in operating activities</b>	<b>(24,216)</b>	<b>(912)</b>

The notes on pages 14 to 21 form an integral part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 1. Accounting policies

The principal accounting policies and judgements used in the preparation of the financial statements are:

#### 1.1 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom law and UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 (as issued by the Financial Reporting Council), the Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') and the Statement of Recommended Practice: Accounting and Reporting by Charities updated 1 January 2019 ('Charity SORP (FRS 102)') and the Companies Act 2006. These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The Potanin Foundation is a UK charitable company incorporated in the UK (company number 05514908) and registered with the Charity Commission for England and Wales.

#### 1.2 Going concern

In order to assess the appropriateness of the going concern assumption basis, the Trustees have considered the charity's financial position, liquidity and unrestricted reserves taking into account the principal risks to which the charity is exposed including the potential impacts of the Covid-19 pandemic and Brexit. Recognising the uncertainty associated with predicting the economic impact of Covid-19, in particular, the Trustees have considered the impact of a severe economic outcome on the charity and the effectiveness of management actions that might be taken to mitigate the impact of this stress. Trustees have also considered the circumstances under which the operations of the charity would be unable to continue. After taking into account the current level of the charity's investments, reserves, grant commitments and the financial performance since 31 December 2019, the Trustees have concluded that the risk of this situation occurring is remote.

Accordingly and after making appropriate enquiries, the Trustees have a reasonable expectation that the charity will be able to continue in operation and meet its liabilities as they fall due for at least twelve months from the date of signing of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

#### 1.3 Fund accounting

The charity holds only unrestricted funds.

Unrestricted income funds comprise those funds which the Trustees are free to use for any purpose in furtherance of the charitable objects of the charity.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**  
(continued)

**1.4 Income recognition**

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

**1.5 (a) Donations**

Donations received are 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.

**1.5 (b) Investment income**

Dividends are recognised once the dividend has been declared and notification has been received of the value of the dividend due.

**1.5 Expenditure recognition**

Expenditure is recognised as soon as there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Grants payable are payments where the beneficiary charity has been formally notified in writing of the award. This notification gives the recipient a reasonable expectation that they will receive the one-year or multi-year grant. In the case of an unconditional grant offer this is accrued once the recipient has been notified of the grant award.

Grant awards that are subject to the recipient fulfilling performance conditions are accrued when any remaining unfulfilled conditions attaching to that grant are outside of the control of the charity.

The provision for a multi-year grant is recognised at its present value where settlement is due over more than one year from the date of the award, there are no unfulfilled performance conditions under the control of the charity that would permit the charity to avoid making the future payment(s), settlement is probable and the effect of discounting is material. The discount rate used is the average rate of investment yield in the year in which the grant award is made.

Governance costs comprise all costs involving the public accountability of the charity and its compliance with regulation and good practice. These costs include costs related to statutory audit and legal fees.

Irrecoverable VAT is charged as a cost.

**1.6 Allocation of support costs**

All expenses including support costs are allocated or apportioned to the applicable expenditure headings. Governance costs are allocated as part of support costs in accordance with Charity SORP (FRS102).

**1.7 Foreign currency**

The reporting currency of the charity is US dollars.

Transactions in other currencies are translated to US dollars at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in other currencies at the balance sheet date are retranslated to US dollars at the foreign exchange rate ruling at that date. Exchange differences arising are taken to the SOFA.

**1.8 Taxation**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The Potanin Foundation is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**  
(continued)

**1. Accounting policies (continued)**

**1.9 Basic financial instruments**

**Investments**

Investments are held to achieve capital appreciation and to generate income to fund future charitable donations. The value of the investments determines the funds available for donation at any point in time.

Basic financial instruments are, therefore, measured initially at fair value, which is normally the transaction price. Transaction costs are expensed in the SOFA (where material) if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition all types of investments, including debt securities, which can be measured reliably are measured at fair value with changes recognised in the SOFA.

**Cash at bank and in hand**

Cash at bank and in hand includes cash and short term highly liquid cash deposits with a short maturity of three months or less from the date of opening the deposit or similar account.

Where a portfolio of investment and cash assets is managed on a discretionary basis by an investment manager, cash and cash deposits which form part of that portfolio, are included with the investment balance to reflect that the funds do not form part of normal day-to-day operational cash flows and balances.

**Debtors and creditors**

Debtors are recognised at the settlement amount due after any discount offered. Prepayments are valued at the amount prepaid.

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

**1.10 Other financial instruments - financial instruments not considered to be 'Basic financial instruments'**

Other financial instruments not meeting the definition of 'Basic financial instruments' are recognised initially at fair value. Subsequent measurement is at fair value with changes recognised in the SOFA, except for equity instruments which are not publicly traded and whose value cannot be otherwise be measured reliably, which are measured at cost less impairment.

Forward currency exchange contracts (a form of derivative financial instrument) may be held within investment portfolios managed on a discretionary basis by an investment manager, but only in order to mitigate any currency risk to which the portfolio may be exposed.

**1.11 Significant estimates and judgements**

There have been no significant estimates or judgements necessary in the preparation of these financial statements.

**1.12 Entity status**

The Potanin Foundation meets the definition of a Public Benefit Entity under FRS102.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(continued)

**2. Investment income**

	2019 \$000	2018 \$000
Interest and dividends receivable	1,147	1,027
	<u>1,147</u>	<u>1,027</u>

**3. Grants payable**

	2019 \$000	2018 \$000
Grants awarded:		
The Vladimir Potanin Foundation (Russia)	50,616	-
St Edmund Hall (University of Oxford)	3,959	-
	<u>54,575</u>	<u>-</u>

**4. Cost of charitable activities**

Cost of charitable activities in respect of unrestricted general funds includes the following:

	2019 \$000	2018 \$000
Costs of grantmaking:		
VPF programme costs	234	-
Professional fees	30	-
	<u>264</u>	<u>-</u>
Governance costs:		
Management charges	73	83
Legal fees	3	29
Audit fee for the audit of the annual accounts:		
Fee excluding irrecoverable VAT	23	14
VAT thereon	5	3
	<u>104</u>	<u>129</u>
	<u>368</u>	<u>129</u>
Amounts payable to CAF included above and inclusive of VAT (see note 5):		
VPF programme costs	234	-
Management charges	73	83
	<u>307</u>	<u>83</u>

**5. Trustees and related party transactions**

The charity's corporate trustee, CAF Global Trustees, is a related party of the Charities Aid Foundation (CAF, registered charity number 268369). CAF provided services to the charity in respect of the management of the charity's compliance with constitutional and statutory requirements amounting to \$73,000 (2018: \$83,000). CAF also provided services to the charity for the grant programme, including \$16,000 (2018: \$nil) validation services, \$163,000 (2018: \$nil) for advisory services and \$55,000 (2018: \$nil) of programme management costs.

As at 31 December 2019, an amount of \$214,706 was unpaid (2018: \$19,570).

None of the Trustees was reimbursed for expenses or received any remuneration in the current or previous financial year, nor were any expenses paid on their behalf (2018: none).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**  
(continued)

**6. Employees**

There were no employees during the year (2018: none).

During the year, there was one member of staff employed by CAF. Total employment costs are recharged where activities have been undertaken for The Potanin Foundation. Staff costs are included in programme management fee in note 4.

**7. Fixed asset investments**

Fixed asset investments are managed on a discretionary basis as segregated portfolios by the charity's investment managers.

The investment assets (including cash held for investment purposes) are held with the overall intention of retaining them for the long-term (namely, as fixed assets) for the continuing benefit of the charity in the form of income and capital appreciation. Cash held for investment purposes generally arises as a result of the application of each investment manager's strategy or through the realisation of assets for subsequent reinvestment of the disposal proceeds.

Consequently, this note does not show the movement of individual investment transactions executed by the investment managers within the portfolios. Instead, the movement in the value of the portfolios is analysed to show new funds introduced to or funds withdrawn from the portfolios, together with revaluations reflecting changes in market values.

Forward currency exchange contracts may be entered into by the discretionary investment managers, but such contracts are only used to mitigate any currency risk to which the portfolio may be exposed.

	2019 \$000	2018 \$000
Market value at 1 January	124,767	133,482
Income received and retained in portfolios	1,147	1,027
Cash withdrawn from portfolios	(24,184)	(942)
Net realised gains	5,283	3,429
Net unrealised gains/(losses)	13,540	(12,229)
<b>Market value at 31 December</b>	<b>120,553</b>	<b>124,767</b>
<b>Historical cost:</b>		
At 31 December	<b>99,520</b>	<b>114,587</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**  
(continued)

**7. Fixed asset investments (continued)**

<b>Represented by:</b>	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
Fixed income:		
US	28,363	28,350
Other	4,552	5,040
Equities:		
Rest of Europe	33,609	30,439
North America	16,844	18,316
Asia	6,102	7,610
International	4,996	5,892
Other	3,135	2,790
Other:		
Pooled Funds:		
International	9,859	10,267
Hedge funds	11,879	12,493
Short-term liquidity and settlements pending	1,214	3,570
	<b>120,553</b>	<b>124,767</b>

**Measurement of fair values:**

The company uses the following hierarchy to estimate the fair value of investments held:

- Level 1: The quoted price for an identical asset in an active market.
- Level 2: When quoted prices are unavailable, the fair value is taken as the price of a recent transaction for an identical asset, or is derived from market data.
- Level 3: If the market value for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, a valuation technique is used to estimate the fair value. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. If the range of reasonable fair value estimates significant and the probabilities of the various estimates cannot be reasonably assessed, the assets are valued at cost less impairment until a reliable measure of fair value becomes available.

No level 3 investments were held by the charity at 31 December 2019 or 2018.

Accounting classifications and fair values:

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**  
 (continued)

**7. Fixed asset investments (continued)**

	<b>2019</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Fixed income investments	32,917	-	32,917
Equities	64,684	-	64,684
Alternative investments	5,783	6,095	11,879
Other investments	4,811	5,048	9,859
Equity-based investments	75,278	11,143	86,422
Cash held pending investment	1,214	-	1,214
	<b>109,409</b>	<b>11,143</b>	<b>120,553</b>

	<b>2018</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Fixed income investments	33,389	-	33,389
Equities	65,048	-	65,048
Alternative investments	6,699	5,794	12,493
Other investments	5,791	4,476	10,267
Equity-based investments	77,538	10,270	87,808
Cash held pending investment	3,570	-	3,570
	<b>114,497</b>	<b>10,270</b>	<b>124,767</b>

**8. Creditors: amounts falling due within one year**

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
Grants payable	17,123	-
Accruals	400	178
	<b>17,523</b>	<b>178</b>

On 1 February 2019, the board awarded a grant of \$50.6m to the Vladimir Potanin Foundation payable over three years. As at 31 December 2019, \$19.4m had been paid. Of the remaining \$31.2m, \$17.1m is due within one year and \$14.1m (see note 9) is due in greater than one year.

The grant shall be applied solely to further purposes which are charitable in English law, and particularly the advancement of education for the public benefit. If the funded projects do not proceed to the Foundation's satisfaction then the funding for year 3 may not proceed.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**  
(continued)

**9. Creditors: amount falling due in greater than one year**

	2019 \$000	2018 \$000
Grants payable	14,090	-
	<u>14,090</u>	<u>-</u>

**10. Net cash flow from investing activities**

The cash flows in respect of investing activities represent cash withdrawn from or introduced to the charity's investment portfolios, which are managed on a discretionary basis by the charity's investment managers. As described in note 7, cash within the investment portfolios is held for investment purposes and is treated as fixed asset investments. Thus, cash movements in respect of investment additions and disposals within the investment portfolios do not generate a cash flow in respect of the charity's overall level of financial investment.