

THE POTANIN FOUNDATION

England & Wales · Charity number 1112813

Details

Status Registered

Legal form Charitable company

Company number [05514908](#)

Registered 2006-01-24

Register [View on the Charity Commission register](#)

Contact

Address c.o Forvis Mazars LLP
30 Old Bailey
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Activities

Objects: THE OBJECTS OF THE CHARITY ARE TO ADVANCE ANY PURPOSE WHICH IS RECOGNISED AS BEING EXCLUSIVELY CHARITABLE UNDER ENGLISH LAW AND WITHOUT PREJUDICE TO THE FOREGOING, IN PARTICULAR, TO ADVANCE THE EDUCATION OF THE PUBLIC IN RUSSIA AND ELSEWHERE.

Activities: The objectives of the charity are to develop education and culture in Russia by supporting talent, initiative and innovation among students and arts professionals. The charity carries out its objectives by awarding grants to support the programmes of the Vladimir Potanin Foundation (VPF): its sister charity in Russia

Classification

- **How:** Makes Grants To Organisations
- **What:** General Charitable Purposes, Education/training, Environment/conservation/heritage
- **Who:** Children/young People, Other Charities Or Voluntary Bodies

Geography

- Russia

Finances

Period end	Income	Expenditure	Assets	Employees
2024-12-31	£2,500,476	£441,073	£110,304,092	0
2023-12-31	£1,927,666	£399,667	£102,227,543	0
2022-12-31	£729,043	£509,252	£96,892,996	0
2021-12-31	£766,332	£798,108	£99,009,755	0
2020-12-31	£313,385	£693,334	-	-

Trustees

Name	Role	Appointed
David Michael Greene		2021-10-13
Demetris Pisiaras		2021-10-13
MICHAEL REAME FULLERLOVE		2021-10-13
Sir John Menzies Low		2013-10-21

THE POTANIN FOUNDATION

England & Wales - Charity number 1112813

Accounts

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 2024

THE POTANIN FOUNDATION

**TRUSTEES' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2024**

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THE POTANIN FOUNDATION

CHARITY INFORMATION, TRUSTEES AND ADVISORS

Trustees	Sir John Menzies Low Michael Fullerlove David Greene Demetris Pisiaras
Charity number	1112813
Company number	05514908
Interim Manager	Guy Hollander
Registered office	C/O Forvis Mazars LLP 30 Old Bailey London England EC4M 7AU
Bankers	Goldman Sachs International River Court 120 Fleet Street London EC4A 2BE Barclays Bank Plc 1 Churchill Place London E14 5HP
Investment advisers	Goldman Sachs International River Court 120 Fleet Street London EC4A 2BE
Auditor	SCB (Accountants) Ltd 31 Sackville Street Manchester M1 3LZ

THE POTANIN FOUNDATION

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2024 (Incorporating the Directors' Report)

The Interim Manager, presents the Trustees' report together with the audited financial statements of the Charity for the year ended 31 December 2024.

The Trustees' report and financial statements are presented in US dollars (\$), which is the Charity's operating currency.

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.

The financial statements have been prepared in accordance the Charities Act 2011 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 2019).

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 advance any purpose which is recognised as being exclusively charitable under English law, and, without prejudice to the foregoing, in particular, to advance the education of the public in Russia and elsewhere. However, please note that this has been put on hold in light of the sanctions against the Founder and the appointment of the Interim Manager.

Since inception the Charity has received donations of \$100m from its Founder, which had no restrictions placed thereon and consequently constitute unrestricted funds. The Interim Manager does not anticipate the receipt of any further donations from the Founder or from any other donors. No grants have been made since 2020.

On 29 June 2022, the Charity Commission opened a statutory inquiry into the Potanin Foundation, after the Foreign, Commonwealth and Development Office sanctioned Mr. Potanin under the UK's Russia (Sanctions) (EU Exit) Regulations 2019. As a result, the Potanin Foundation was subject to UK sanctions and remains subject to these sanctions.

On 12 July 2022, the Charity Commission appointed Guy Hollander of Forvis Mazars LLP as Interim Manager having all the powers and duties of the Trustees of the Charity, to the exclusion of the Charity's Trustees.

The Charity Commission's Statutory Inquiry is ongoing at the date of these accounts and the Interim Manager continues to manage and operate the Charity. The Charity Commission made an Order to remove Mr. Potanin as Founder of the Charity on 16 June 2023. On the same date, an Order was made terminating Mr. Potanin's membership of the Charity. Mr. Potanin has appealed the Order and the outcome of the appeal is awaited. Whilst this matter is ongoing the Interim Manager has confirmed that he will not dissipate any of the funds through grants and or donations to any organisation, institution or beneficiary.

THE POTANIN FOUNDATION

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2024 (Continuing)

Financial review

During the year, the Charity's funds and net assets increased from \$130m to \$138m (2023: increased from \$117m to \$130m). This is principally the result of an investment gain of \$6.6m (2023: gain of \$8.2m), net income of \$2.5m (2023: \$1.9m) and a foreign exchange loss of \$1.08m (2023: gain of \$3.3m).

Realised loss of Nil (realised loss 2023: Nil) and unrealised gain of \$6.6m (unrealised gain 2023: \$8.2m) arose on fixed asset investments during the year.

The net impact of investment gains and other income and expenditure, saw investments increase to \$76m on 31 December 2024 (2023: increase to \$69.5m). This was largely attributable to unrealised gain on investments.

Investment management fees paid to investment managers for management of the Charity's investments on a discretionary basis amounted to \$0.3m (2023: \$0.4m).

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. These responsibilities fell to the Interim Manager following his appointment.

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 the Trustees had an objective to preserve the value, in real terms compared with US CPI, 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 Goldman Sachs, is regularly reviewed by the Interim Manager.

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 Charity's principal financial assets are investments and cash at bank.

The Charity's investments are managed on a discretionary basis by Goldman Sachs in accordance with investment guidelines approved by the Trustees. The investment guidelines are designed to mitigate exposure to credit risk.

Geopolitical

The impact of Russia's invasion of Ukraine has had a significant bearing on the Charity as referenced above.

The potential impact of geopolitical risk on the assets is detailed above and largely mitigated by holding the investments in established western markets in US dollars and UK sterling.

THE POTANIN FOUNDATION

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2024 (Continuing)

Structure, governance and management

The Trustees sought to ensure efficient and transparent operation of the Charity and were responsible for the investment of its assets prior to the appointment of the Interim Manager. Thereafter the Trustees had no involvement of the day-to-day management of the Charity.

None of the Trustees, nor the Interim Manager, has any beneficial interest in the Charity.

Appointment of Trustees

At the commencement of the year the Trustees were Sir John Low, Michael Fullerlove, David Greene and Demetris Pisiaras.

With effect from 12 July 2022, the Trustees are excluded from day-to-day management and control of the Charity but remain in office. The Interim Manager has all the powers and duties of the Trustees, to the exclusion of the 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 would 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 program meets the above guidance.

Fundraising

The Charity is not registered with fund raising regulator and there have been no fundraising activities undertaken in the current or preceding year.

Grant making policy

No grants were made in either 2023 or 2024.

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 were expendable at the discretion of the Trustees in the furtherance of the Charity's objectives prior to the Interim Manager appointment. The Interim Manager has made no grants the ongoing uncertainty in respect of the outcome of the appeal by the Founder to the actions taken by the Charity Commission.

At 31 December 2024, the value of the Charity's funds (reserves) stood at \$138m (2023: \$130m).

Going concern

In order to assess the appropriateness of the going concern assumption basis, it is necessary to consider the Charity's financial position, liquidity and unrestricted reserves taking into account the principal risks to which the Charity is exposed including the potential impact of the ongoing sanctions against Russia and the appeal by the Founder to the order made by the Charity Commission in removing him as Founder.

The Interim Manager considers 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, the going concern basis in preparing the financial statements continues to be adopted.

THE POTANIN FOUNDATION

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2024 (Continuing)

Investment policy and performance

The Trustees appoint investment managers to manage the Charity's investments on a discretionary basis. Goldman Sachs International are the sole investment manager. The investment aim has been to generate income and capital growth to fund grant making but in light of the turbulent capital markets in 2022, the ongoing Russian sanctions and the appeal by the Founder, no grantmaking was made by the Interim Manager in 2024. At the balance sheet date, the Charity's funds stood at \$138m (2023: \$130m).

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Interim Manager, on behalf of the trustees (who are also directors of The Potanin Foundation for the purposes of company law) is 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 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, subject to any material departures disclosed and explained in the financial statements; 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.

STATEMENT OF DISCLOSURE TO AUDITOR

The Interim Manager at the date of approval of this report confirms that:

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

THE POTANIN FOUNDATION

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2024 (Continuing)

AUDITOR

SCB(Accountants) Ltd have been reappointed as auditors of the Charity for the ensuing year by the Interim Manager.

The report of the directors has been prepared taking advantage of the small companies' exemption of section 415A of the Companies Act 2006.

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

This report was approved and signed by the Interim Manager.



Guy Hollander
Interim Manager

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of 'The Potanin Foundation' (the 'charitable company') for the year ended 31 December 2024 which comprise the Statement of financial activities (incorporating an Income and Expenditure Account), balance sheet, the statement of cash flows and the 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, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at 31st December 2024, and of its 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.

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 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 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 is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorized for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

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.

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

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 which includes the directors' report prepared for the purposes of company law, is consistent with the financial statements; and
- the directors' report included within the Trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 9, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

We gained an understanding of the legal and regulatory framework applicable to the Charity and the industry in which it operates, and considered the risk of acts by the Charity that were contrary to applicable laws and regulations, including fraud. We discussed with the trustees the policies and procedures in place regarding compliance with laws and regulations. We discussed amongst the audit team the identified laws and regulations, and remained alert to any indications of non-compliance.

During the audit we focused on laws and regulations which could reasonably be expected to give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, UK tax legislation, Charity Act 2011, SORP 2019. Our tests included agreeing the financial statement disclosures to underlying supporting documentation and enquiries with management.

Our procedures in relation to fraud included but were not limited to: inquires of management whether they have any knowledge of any actual, suspected or alleged fraud, and discussions amongst the audit team regarding risk of fraud such as opportunities for fraudulent manipulation of financial statements. We determined that the principal risks related to posting manual journal entries to manipulate financial performance and management bias through judgements in accounting estimates. We also addressed the risk of management override of internal controls and appropriateness of other entries in the nominal ledger; reviewing transactions around the end of the reporting period; and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at 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 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.



Jeffrey Bor FCA (Senior Statutory Auditor)
For and on behalf of SCB (Accountants) Ltd,
31 Sackville Street
Manchester
M1 3LZ

Date: 29/05/2025

THE POTANIN FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES
(Incorporating an Income and Expenditure Account)
 FOR THE YEAR ENDED 31 DECEMBER 2024

		Unrestricted funds	
	Notes	2024 \$000	2023 \$000
Income from Investment:			
Interest and Dividend	2	3,135	2,455
Total income		3,135	2,455
Expenditure on:			
Raising funds:			
Investment management costs	4	347	401
Charitable activities:			
Costs of charitable activities	3	206	108
Total expenditure		553	509
Net income before gains/ (losses) on investments		2,582	1,946
Foreign exchange (loss)/gains on conversions		(1,084)	3,273
Net gains on investment assets	7	6,604	8,218
Investment written off		-	(67)
Net income		8,102	13,370
Total funds brought forward		130,193	116,823
Total funds carried forward		138,295	130,193

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 15 to 21 form an integral part of these financial statements.

THE POTANIN FOUNDATION

BALANCE SHEET AS AT 31 DECEMBER 2024

	Notes	2024		2023	
		\$000	\$000	\$000	\$000
Fixed assets					
Investments	7		76,318		69,516
Current assets					
Debtors	8	77		166	
Cash at bank	9	61,955		60,945	
Total current assets		<u>62,032</u>		<u>61,111</u>	
Creditors: amounts falling due within one year	10	<u>(55)</u>		<u>(434)</u>	
Net current assets			<u>61,977</u>		<u>60,677</u>
Net Assets			138,295		130,193
Funds					
Unrestricted	11		138,295		130,193
Total funds			<u>138,295</u>		<u>130,193</u>

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

Approved by the Interim Manager on 28 May 2025.



Guy Hollander
Interim manager

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

The notes on pages 15 to 21 form an integral part of these financial statements.

THE POTANIN FOUNDATION

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

	2024	2023
	\$000	\$000
Cash flows from operating activities		
Net cash used in operating activities	1,010	3,102
Cash flow from investing activities		
Cash withdrawn from investment portfolio/ Investment made	-	-
Interest income on treasuary deposits	-	1,508
Net cash provided by investing activities	<u>-</u>	<u>1,508</u>
Change in cash and cash equivalents in the year	1,010	4,610
Cash and cash equivalents as at 1 January 2023	<u>60,945</u>	<u>56,335</u>
Cash and cash equivalents as at 31 December 2024	<u>61,955</u>	<u>60,945</u>

Reconciliation of net income to cash flows from operating activities

	2024	2023
	\$000	\$000
Net income	8,102	13,370
Gains on financial investments	(6,604)	(8,218)
Investment income received into cash held by investment manager	(945)	(818)
Investment expenses incurred into cash held by investment manager	748	-
Investment written off	-	67
Interest income on treasury deposits	-	(1,508)
Decrease/(Increase) in debtors	89	(166)
(Decrease)/Increase in creditors	<u>(379)</u>	<u>375</u>
Net cash used in operating activities	<u>1,010</u>	<u>3,102</u>

The notes on pages 15 to 21 form an integral part of these financial statements.

THE POTANIN FOUNDATION

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.

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

The financial statements are prepared in USD (\$), which is the functional currency of the Charity. Monetary amounts in these financial statements are rounded to the nearest USD.

The financial statements have been prepared under the historical cost convention with items recognized at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

1.2 Going concern

The Charity's Financial Statements show net surplus of \$8.1m for the year and reserves of \$138m.

The Interim Manager has assessed whether the use of the going concern basis is appropriate and has considered possible events or conditions that might cast significant doubt on the ability of the Charity to continue as a going concern. The Interim Manager will continue to monitor and ensure spending to be done in line with income in order to maintain target level of reserves. The review of cashflow for 12 months from the date of approval of the financial statements, the associated assumptions that underpin it, secured new income and the steps that could be taken to reduce expenditure should this be necessary.

Based on the information above, the Interim Manager has a reasonable expectation that the Charity has adequate resources to continue in operation for the foreseeable future and will remain surplus in future periods. Therefore, the going concern basis in preparing these accounts has been adopted.

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.

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.

1.4 (a) 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.

THE POTANIN FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

(continued)

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 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.

1.8 Basic financial instruments

Investments

Fixed asset 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.

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.

THE POTANIN FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

(continued)

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.

1.9 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.

1.10 Significant estimates and judgements

In the application of the company's accounting policies, the Charity is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

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

2. Income from Investments

	2024	2023
	\$000	\$000
Interest income	2,588	1,883
Dividend income	547	572
	<u>3,135</u>	<u>2,455</u>

THE POTANIN FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

(continued)

3. Costs of charitable activities

Support and governance costs:	2024	2023
	\$000	\$000
Interim managers fees	64	50
Legal fees	111	3
Late filing fees	-	1
Auditors remunerations	29	54
Trustee expenses	2	-
	<u>206</u>	<u>108</u>

4. Costs of raising fund

Investment management costs:	2024	2023
	\$000	\$000
Investment management cost	347	401
	<u>347</u>	<u>401</u>

5. Trustees and related party transactions

None of the Trustees received any remuneration in the current or prior financial year. However, during the year, Trustee expenses amounting to \$2 thousand were reimbursed (2023: nil)

6. Employees

There were no employees during the year (2023: none).

7. Fixed asset investments

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

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.

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

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

THE POTANIN FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

(continued)

	2024	2023
	\$000	\$000
Market value at 1 January	69,516	60,547
Income received and retained in portfolio	945	818
Investment written off	-	(67)
Investment management cost *	(748)	-
Net gains on investment assets	<u>6,604</u>	<u>8,218</u>
Market value at 31 December	<u>76,317</u>	<u>69,516</u>
Historical cost:		
At 31 December	<u>47,362</u>	<u>46,821</u>

*Of \$748k management cost, \$401k cost relate to previous year.

Represented by:

Fixed income:

USA	20,286	16,265
Other	5,367	4,783

Equities:

Europe	6,409	6,015
North America	31,390	28,800
Asia	3,306	3,120
Global Equity	1,172	2,991

Other:

Alternative Investments	1,743	1,570
Other Investments	6,052	5,394
Cash, Deposits & Money Market Funds	<u>593</u>	<u>578</u>
	<u>76,318</u>	<u>69,516</u>

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.

THE POTANIN FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

(continued)

	2024	
	Level 1	Total
	\$000	\$000
Fixed income investments	25,653	25,653
Equities	42,277	42,277
Alternative investments	1,743	1,743
Other investments	6,052	6,052
Equity-based investments	50,072	50,072
Cash held pending investment	593	593
Total	76,318	76,318

	2023	
	Level 1	Total
	\$000	\$000
Fixed income investments	21,048	21,048
Equities	40,926	40,926
Alternative investments	1,570	1,570
Other investments	5,394	5,394
Equity-based investments	47,890	47,890
Cash held pending investment	578	578
Total	69,516	69,516

There are no level 2 & level 3 investments were held by the Charity at 31 December 2024 or 2023.

8. Debtors

	2024	2023
	\$000	\$000
Accrued interest on deposits	77	166
	<u>77</u>	<u>166</u>

9. Cash at bank and in hand

	2024	2023
	\$000	\$000
Cash at bank	131	90
Investment in treasury deposit	61,824	60,855
	<u>61,955</u>	<u>60,945</u>

THE POTANIN FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

(continued)

10. Creditors: amounts falling due within one year

	2024	2023
	\$000	\$000
Accrued expenses	55	434
	<u>55</u>	<u>434</u>

11. Analysis of net assets funds

	2024	2023
	\$000	\$000
Fixed assets	76,318	69,516
Net current assets	61,977	60,677
	<u>138,295</u>	<u>130,193</u>

12. 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 portfolio, which is managed on a discretionary basis by the Charity's investment manager. As described in note 6, 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.

13. Share Capital

The company is limited by guarantee and does not have a share capital divided by shares.

14. Ultimate Controlling Party

For the whole of the year, the Charity was under the control of the Interim Manager as shown under Charity information, trustees and advisors as shown on page 3.

THE POTANIN FOUNDATION

England & Wales - Charity number 1112813

Accounts

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 2023

**TRUSTEES' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2023**

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CHARITY INFORMATION, TRUSTEES AND ADVISORS

Trustees	Sir John Low CBE Michael Fullerlove David Greene Demetris Pisiaras
Charity number	1112813
Company number	05514908
Interim Manager	Guy Hollander (appointed 12 July 2022)
Registered office	C/O Forvis Mazars LLP 30 Old Bailey London England EC4M 7AU
Bankers	Goldman Sachs International River Court 120 Fleet Street London EC4A 2BE Barclays Bank Plc 1 Churchill Place London E14 5HP
Investment advisers	Goldman Sachs International River Court 120 Fleet Street London EC4A 2BE
Auditor	SCB (Accountants) Ltd 31 Sackville Street Manchester M1 3LZ

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (incorporating the Directors' Report)

The Interim Manager, on behalf of the trustees present the Trustees' report together with the audited financial statements of the charity for the year ended 31 December 2023.

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

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.

The financial statements have been prepared in accordance the Charities Act 2011 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 2019).

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 advance any purpose which is recognised as being exclusively charitable under English law, and, without prejudice to the foregoing, in particular, to advance the education of the public in Russia and elsewhere. However, please note that this has been put on hold in light of the sanctions against the Founder and the appointment of the Interim Manager.

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.

The Charity carried 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. However, in August 2021, the Trustees and the VPF agreed to terminate the Grant Agreement.

No grants were made in 2022, nor were any made in 2021. Grants Payable of \$22.9m were written back in 2021 following the termination of the VPF agreement. No grants have been made since the Interim Manager has been in office.

It had been the intention of the Trustees to recommence general grant making within the objectives of the Charity as soon as circumstances permit. However, since February 2022, the Trustees had been closely monitoring developments in Ukraine and the global response to Russia's actions, and considered the potential impact on the Charity.

Consequently, the Trustees submitted a Serious Incident Report to the Charity Commission on 21 April 2022 after the withdrawal of some professional service providers and following Mr Potanin's designation by the Canadian and Australian governments.

On 29 June 2022, the Charity Commission opened a statutory inquiry into the Potanin Foundation, after the Foreign, Commonwealth and Development Office sanctioned Mr Potanin under the UK's Russia (Sanctions) (EU Exit) Regulations 2019. As a result, the Potanin Foundation was subject to UK sanctions until the Charity Commission issued an Order suspending Mr Potanin as Member on 27 July 2022.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (Continuing)

On 12 July 2022, the Charity Commission appointed Guy Hollander of Forvis Mazars LLP as Interim Manager having all the powers and duties of the Trustees of the Charity, to the exclusion of the Charity's Trustees.

The Charity Commission's Statutory Inquiry is ongoing at the date of these accounts and the Interim Manager continues to manage and operate the Charity.

As a result of the sanctioning of Mr Potanin on 29 June 2022, J P Morgan International Bank Limited gave notice to terminate their engagement. Subsequently, they have liquidated the investment portfolio managed by them on the Charity's behalf and have paid over the funds to the Interim Manager to retain under his control. These monies are banked with Barclays. Goldman Sachs International are continuing to provide banking and investment management services to the Charity.

Mr Potanin has challenged the sanctioning of the Charity and whilst this matter is pending resolution, the Interim Manager has confirmed that he will not dissipate any of the funds through grants and or donations to any organisation, institution or beneficiary.

Financial review

During the year, the charity's funds and net assets increased by \$13m to \$130m (2022: decreased by \$17m to \$117m). This is principally the result of an investment gain of \$8.2m (2022: loss of \$17.4m) and a foreign exchange gain of \$3.2m (2022: loss of \$0.2m).

Realised loss of Nil (realised loss 2022: \$8.7m) and unrealised gain of \$8.2m (unrealised loss 2022: \$8.7m) arose on fixed asset investments during the year.

The net impact of investment gains and other income and expenditure, saw investments increase to \$70m on 31 December 2023 (2022: decrease to \$61m). This was largely attributable to unrealized gain on investment. In 2022, an amount of \$56m was realised from investments and held as cash.

Investment management fees paid to investment managers for management of the charity's investments on a discretionary basis amounted to \$0.4m (2022: \$0.3m).

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (Continuing)

Risk management and internal control

The Trustees have overall responsibility for ensuring that the charity has an appropriate system of controls, financial or otherwise. This responsibility fell to the Interim Manager following his appointment. 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 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 the Trustees had an objective to preserve the value, in real terms compared with US CPI, 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 was regularly reviewed by the Trustees.

Following the appointment of the Interim Manager J P Morgan terminated their investment management role and as a result it was necessary to liquidate the investments and convert these into cash. The cash is held primarily on three month deposit. Goldman Sachs were willing to continue to hold the investments but it was only in October 2022 that they were willing to continue their discretionary investment management role. The Interim Manager engages with Goldman Sachs on a regular basis.

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 charity's principal financial assets are investments and cash at bank.

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

Geopolitical

The impact of Russia's invasion of Ukraine has had a significant bearing on the charity as referenced above.

The potential impact of geopolitical risk on the assets is detailed above and largely mitigated by holding the investments in established western markets in US dollars and UK sterling.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (Continuing)

Structure, governance and management

The Trustees sought to ensure efficient and transparent operation of the charity and were responsible for the investment of its assets prior to the appointment of the Interim Manager. Thereafter the Trustees had no involvement of the day to day management of the charity.

None of the Trustees, nor the Interim Manager, has any beneficial interest in the charity.

Appointment of Trustees

Having secured Charity Commission approval, the Member amended the Articles of Association by Special Resolution on 13th October 2021 for appointment of additional trustees. At the commencement of the year the Trustees were Sir John Low, Michael Fullerlove, David Greene and Demetris Pisiaras.

With effect from 12 July 2022, the Trustees are excluded from day to day management and control of the charity but remain in office. The Interim Manager has all the powers and duties of the Trustees, to the exclusion of the 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 would 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

The charity is not registered with fund raising regulator and there have been no fundraising activities undertaken in the current or preceding year.

Grant making policy

No grants were made in either 2022 or 2023.

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 were expendable at the discretion of the Trustees in the furtherance of the charity's objectives prior to the Interim Manager appointment. The Interim Manager has made no grants in light of the significant fall in the value of investments in 2022 and the ongoing uncertainty in respect of the outcome of the challenge by the Founder to the actions taken by the Charity Commission.

At 31 December 2023, the value of the charity's funds (reserves) stood at \$130m (2022: \$117m).

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (Continuing)

Going concern

In order to assess the appropriateness of the going concern assumption basis, it is necessary to consider the charity's financial position, liquidity and unrestricted reserves taking into account the principal risks to which the charity is exposed including the potential impact of the ongoing sanctions against Russia and the challenge by the Founder to the steps taken by the Charity Commission.

The Interim Manager considers 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, the going concern basis in preparing the financial statements continues to be adopted.

Investment policy and performance

The Trustees appoint investment managers to manage the charity's investments on a discretionary basis. Goldman Sachs International are the sole investment manager following J P Morgan International Bank terminating their engagement in 2022. The investment aim has been to generate income and capital growth to fund grantmaking but in light of the turbulent capital markets in 2022, the ongoing Russian sanctions and the challenge by the Founder, no grantmaking was made by the Interim Manager in 2023. At the balance sheet date the charity's funds stood at \$130m (2022: \$117m).

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (Continuing)

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Interim Manager, on behalf of the trustees (who are also directors of The Potanin Foundation for the purposes of company law) is 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.

STATEMENT OF DISCLOSURE TO AUDITOR

Each of the persons who is a Trustee and the Interim Manager 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.

AUDITOR

A resolution will be proposed and agreed at the Annual General Meeting that SCB(Accountants) Ltd be appointed as auditors of the Charity for the ensuing year.

The report of the directors has been prepared taking advantage of the small companies' exemption of section 415A of the Companies Act 2006.

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

This report was approved and signed by the Interim Manager.



Guy Hollander
Interim Manager

Date: 01/08/2024

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of 'The Potanin Foundation' (the 'charitable company') for the year ended 31 December 2023 which comprise the Statement of financial activities (incorporating an Income and Expenditure Account), balance sheet, the statement of cash flows and the 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, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at 31st December 2023, and of its 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.

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 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 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 is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

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

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

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 which includes the directors' report prepared for the purposes of company law, is consistent with the financial statements; and
- the directors' report included within the Trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 9, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

We gained an understanding of the legal and regulatory framework applicable to the charity and the industry in which it operates, and considered the risk of acts by the charity that were contrary to applicable laws and regulations, including fraud. We discussed with the trustees the policies and procedures in place regarding compliance with laws and regulations. We discussed amongst the audit team the identified laws and regulations, and remained alert to any indications of non-compliance.

During the audit we focussed on laws and regulations which could reasonably be expected to give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, UK tax legislation, Charity Act 2011, SORP 2019. Our tests included agreeing the financial statement disclosures to underlying supporting documentation and enquiries with management.

Our procedures in relation to fraud included but were not limited to: inquires of management whether they have any knowledge of any actual, suspected or alleged fraud, and discussions amongst the audit team regarding risk of fraud such as opportunities for fraudulent manipulation of financial statements. We determined that the principal risks related to posting manual journal entries to manipulate financial performance and management bias through judgements in accounting estimates. We also addressed the risk of management override of internal controls, including testing journals and appropriateness of other entries in the nominal ledger; reviewing transactions around the end of the reporting period; and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at 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 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.



Jeffrey Bor FCA (Senior Statutory Auditor)
For and on behalf of SCB (Accountants) Ltd,
31 Sackville Street
Manchester
M1 3LZ

Date: 01 August 2024

STATEMENT OF FINANCIAL ACTIVITIES
(Incorporating an Income and Expenditure Account)
FOR THE YEAR ENDED 31 DECEMBER 2023

		Unrestricted funds	
	Notes	2023 \$000	2022 \$000
Income from Investment:			
Interest and Dividend	2	2,455	879
Total income		<u>2,455</u>	<u>879</u>
Expenditure on:			
Raising funds:			
Investment management costs		401	328
Charitable activities:			
Costs of charitable activities	3	108	130
Total expenditure		<u>509</u>	<u>458</u>
Net expenditure before gains/ (losses) on investments		1,946	421
Foreign exchange gains/(loss) on conversions		3,273	(156)
Net gains on investment assets	6	8,218	(17,422)
Investment written off		(67)	-
Net income/(expenditure)		<u>13,370</u>	<u>(17,157)</u>
Total funds brought forward		116,823	133,980
Total funds carried forward		<u>130,193</u>	<u>116,823</u>

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 16 to 22 form an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2023

	Notes	2023		2022	
		\$000	\$000	\$000	\$000
Fixed assets					
Investments	6		69,516		60,547
Current assets					
Debtors	7	166		-	
Cash at bank	8	60,945		56,335	
Total current assets		61,111		56,335	
Creditors: amounts falling due within one year	9	(434)		(59)	
Net current assets			60,677		56,276
Net Assets			130,193		116,823
Funds					
Unrestricted	10		130,193		116,823
Total funds			130,193		116,823

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

The notes on pages 16 to 22 form an integral part of these financial statements.

Approved by the Trustees and authorised for issue and signed on their behalf on..... 1 August 2024



Guy Hollander
Interim manager

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	\$000	\$000
Cash flows from operating activities		
Net cash used in operating activities	3,102	(769)
Cash flow from investing activities		
Cash withdrawn from investment portfolio/ Investment made	-	57,069
Interest income on treasury deposits	1,508	-
Net cash provided by investing activities	<u>1,508</u>	<u>57,069</u>
Change in cash and cash equivalents in the year	4,610	56,300
Cash and cash equivalents as at 1 January 2023	<u>56,335</u>	<u>35</u>
Cash and cash equivalents as at 31 December 2023	<u>60,945</u>	<u>56,335</u>

Reconciliation of net income to cash flows from operating activities

	2023	2022
	\$000	\$000
Net income/(expenditure)	13,370	(17,157)
(Gain)/loss on financial investments	(8,218)	17,422
Investment income received into cash held by investment managers	(818)	(879)
Investment written off	67	-
Interest income on treasury deposits	(1,508)	-
(Increase)/decrease in debtors	(166)	-
Increase/(Decrease) in creditors	<u>376</u>	<u>(155)</u>
Net cash used in operating activities	<u>3,102</u>	<u>(769)</u>

The notes on pages 16 to 22 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(continued)

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.

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

The financial statements are prepared in USD (\$), which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest USD.

The financial statements have been prepared under the historical cost convention with items recognized at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

1.2 Going concern

The Charity's Financial Statements show net surplus of \$2m for the year and reserves of \$130m.

The Trustees and the Interim Manager have assessed whether the use of the going concern basis is appropriate and have considered possible events or conditions that might cast significant doubt on the ability of the charity to continue as a going concern. Interim Manager will continue to monitor and ensure spending to be done in line with income in order to maintain target level of reserves. The review of cashflow for 12 months from the date of approval of the financial statements, the associated assumptions that underpin it, secured new income and the steps that could be taken to reduce expenditure should this be necessary.

Based on the information above, the Trustees and Interim Manager have a reasonable expectation that the charity has adequate resources to continue in operation for the foreseeable future and will remain surplus in future periods. Therefore, they have adopted the going concern basis in preparing these accounts.

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.

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.

1.4 (a) Investment income

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(continued)

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 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.

1.8 Basic financial instruments

Investments

Fixed asset 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(continued)

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.

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.

1.9 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.

1.10 Significant estimates and judgements

In the application of the company's accounting policies, the charity is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(continued)

2. Income from Investments

	2023	2022
	\$000	\$000
Interest income	1,883	246
Dividend income	572	633
	<u>2,455</u>	<u>879</u>

3. Costs of charitable activities

Support and governance costs:	2023	2022
	\$000	\$000
Interim managers fees	50	89
Legal fees	3	-
Late filing fee	1	-
Auditors remunerations	54	41
	<u>108</u>	<u>130</u>

Auditors remuneration for year ended 2023 includes audit and accounts fees of 2022 and 2023.

4. Trustees and related party transactions

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 (2022: none).

5. Employees

There were no employees during the year (2022: none).

6. 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.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(continued)

	2023	2022
	\$000	\$000
Market value at 1 January	60,547	134,162
Income received and retained in portfolio	818	837
Cash withdrawn from portfolio	-	(57,030)
Investment written off	(67)	-
Net realised gains	-	(8,694)
Net unrealised gains	8,218	(8,728)
Market value at 31 December	<u>69,516</u>	<u>60,547</u>
Historical cost:		
At 31 December	<u>46,821</u>	<u>49,021</u>

Represented by:

Fixed income:

USA	16,265	13,115
Other	4,783	4,277

Equities:

Europe	6,015	5,087
North America	28,800	23,290
Asia	3,120	2,715
International	-	953
Global Equity	2,991	1,857

Other:

Alternative Investments	1,570	5,099
Other Investments	5,394	3,677
Cash, Deposits & Money Market Funds	578	477
	<u>69,516</u>	<u>60,547</u>

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(continued)

	2023		
	Level 1 \$000	Level 2 \$000	Total \$000
Fixed income investments	21,048	-	21,048
Equities	40,926	-	40,926
Alternative investments	1,570	-	1,570
Other investments	5,394	-	5,394
Equity-based investments	47,890	-	47,890
Cash held pending investment	578	-	578
Total	69,516	-	69,516

	2022		
	Level 1 \$000	Level 2 \$000	Total \$000
Fixed income investments	17,392	-	17,392
Equities	33,902	-	33,902
Alternative investments	3,677	-	3,677
Other investments	5,031	68	5,099
Equity-based investments	42,610	68	42,678
Cash held pending investment	477	-	477
Total	60,479	68	60,547

There are no level 3 investments were held by the charity at 31 December 2023 or 2022.

7. Debtors

	2023 \$000	2022 \$000
Accrued interest on deposits	166	-
	166	-

8. Cash at bank and in hand

	2023 \$000	2022 \$000
Cash at bank	90	56,335
Investment in treasury deposit	60,855	-
	60,945	56,335

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(continued)

9. Creditors: amounts falling due within one year

	2023	2022
	\$000	\$000
Accrued expenses	434	59
	<u>434</u>	<u>59</u>

10. Analysis of net assets funds

	2023	2022
	\$000	\$000
Fixed assets	69,516	60,547
Net current assets	60,677	56,276
	<u>130,193</u>	<u>116,823</u>

11. 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 portfolio, which is managed on a discretionary basis by the charity's investment manager. As described in note 6, 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.

12. Share Capital

The company is limited by guarantee and does not have a share capital divided by shares.

13. Ultimate Controlling Party

For the whole of the year, the charity was under the control of the Interim Manager as shown under charity information, trustees and advisors as shown on page 3.

THE POTANIN FOUNDATION

England & Wales - Charity number 1112813

Accounts

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 2022

**TRUSTEES' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2022**

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CHARITY INFORMATION, TRUSTEES AND ADVISORS

Trustees Sir John Low CBE
Michael Fullerlove (appointed 13 October 2021)
David Greene (appointed 13 October 2021)
Demetris Pisiaras (appointed 13 October 2021)

Charity number 1112813

Company number 05514908

Interim Manager Guy Hollander (appointed 12 July 2022)

Registered office C/O Mazars Llp
30 Old Bailey
London
England
EC4M 7AU

Bankers Goldman Sachs International
River Court
120 Fleet Street
London
EC4A 2BE

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

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

Auditor Cansdales Audit LLP
St Mary's Court
The Broadway
Old Amersham
Bucks
HP7 0UT

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (incorporating the Directors' Report)

The Interim Manager, on behalf of the trustees present the Trustees' report together with the audited financial statements of the charity for the year ended 31 December 2022.

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

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 advance any purpose which is recognised as being exclusively charitable under English law, and, without prejudice to the foregoing, in particular, to advance the education of the public in Russia and elsewhere.

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.

The Charity carried 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. However, in August 2021, and Trustees and the VPF agreed to terminate the Grant Agreement.

No grants were made in 2022, nor were any made in 2021. Grants Payable of \$22.9m were written back in 2021 following the termination of the VPF agreement.

It had been the intention of the Trustees to recommence general grant making within the objectives of the Charity as soon as circumstances permit. However, since February 2022, the Trustees had been closely monitoring developments in Ukraine and the global response to Russia's actions, and considered the potential impact on the Charity.

Consequently, the Trustees submitted a Serious Incident Report to the Charity Commission on 21 April 2022 after the withdrawal of some professional service providers and following Mr Potanin's designation by the Canadian and Australian governments.

On 29 June 2022, the Charity Commission opened a statutory inquiry into the Potanin Foundation, after the Foreign, Commonwealth and Development Office sanctioned Mr Potanin under the UK's Russia (Sanctions) (EU Exit) Regulations 2019. As a result, the Potanin Foundation was subject to UK sanctions and remains subject to these sanctions.

On 12 July 2022, the Charity Commission appointed Guy Hollander of Mazars LLP as Interim Manager having all the powers and duties of the Trustees of the Charity, to the exclusion of the Charity's Trustees.

The Charity Commission's Statutory Inquiry is ongoing at the date of these accounts and the Interim Manager continues to manage and operate the Charity.

The Potanin Foundation

As a result of the sanctioning of Mr Potanin on 29 June 2022, J P Morgan International Bank Limited gave notice to terminate their engagement. Subsequently, they have liquidated the investment portfolio managed by them on the Charity's behalf and have paid over the funds to the Interim Manager to retain under his control. Goldman Sachs International are continuing to provide banking and investment management services to the Charity given the appointment of the Interim Manager and the provisions of the OFSI General Licence-INT/2022/1834876.

Mr Potanin has challenged his removal as Founder and the termination of his membership of the Charity and this matter is subject to ongoing legal process.

Financial review

During the year, the charity's funds and net assets decreased by \$17.15 m to \$117m (2021: increased by \$35.7m to \$134m). This is principally the result of investment loss of \$17.4m (2021: \$12.9m).

Realised loss of \$8.6m (realised gain 2021: \$9.3m) and unrealised loss of \$8.7m (unrealised gain 2021: \$3.5m) arose on fixed asset investments during the year.

The net impact of investment loss and other income and expenditure, saw fixed asset investments decrease to \$61m on 31 December 2022 (2021: increase to \$134m), however this was partially offset by increase in cash at bank of \$56m.

Investment management fees paid to investment managers for management of the charity's investments on a discretionary basis amounted to \$0.8m (2021: \$0.7m).

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (Continuing)

Risk management and internal control

The Trustees have overall responsibilities 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. These responsibilities fell to the Interim Manager following his appointment.

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 the Trustees had an objective to preserve the value, in real terms compared with US CPI, 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 was regularly reviewed by the Trustees.

Following the appointment of the Interim Manager J P Morgan terminated their investment management role and as a result it was necessary to liquidate the investments and convert these into cash. Goldman Sachs were willing to continue to hold the investments but it was only in October 2022 that they were willing to continue their discretionary investment management role due to the reassurances provided by the Interim Manager appointment and the provisions of the General Licence. The Interim Manager engages with Goldman Sachs on a regular basis.

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 charity's principal financial assets are fixed asset investments and cash at bank.

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

Geopolitical

The impact of Russia's invasion of Ukraine has had a significant bearing on the charity as referenced above.

The potential impact of geopolitical risk on the assets is detailed above and largely mitigated by holding the investments in established western markets in US dollars and UK sterling.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (Continuing)

Structure, governance and management

The Trustees sought to ensure efficient and transparent operation of the charity and were responsible for the investment of its assets prior to the appointment of the Interim Manager. Thereafter the Trustees had no involvement of the day to day management of the charity.

None of the Trustees, nor the Interim Manager, has any beneficial interest in the charity.

Appointment of Trustees

Having secured Charity Commission approval, the Member amended the Articles of Association by Special Resolution on 13th October 2021 for appointment of additional trustees. At the commencement of the year the Trustees were Sir John Low, Michael Fullerlove, David Greene and Demetris Pisiaras.

With effect from 12 July 2022, the Trustees are excluded from day to day management and control of the charity but remain in office. The Interim Manager has all the powers and duties of the Trustees, to the exclusion of the 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 would 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. No grants were made in either 2021 or 2022.

Fundraising

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

Grantmaking policy

No grants were made in either 2021 or 2022.

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 were expendable at the discretion of the Trustees in the furtherance of the charity's objectives prior to the Interim Manager appointment. The Interim Manager has made no grants in light of the significant fall in the value of investments during the year.

At 31 December 2022, the value of the charity's funds (reserves) stood at \$117m (2020: \$134m).

Going concern

In order to assess the appropriateness of the going concern assumption basis, it is necessary to consider the charity's financial position, liquidity and unrestricted reserves taking into account the principal risks to which the charity is exposed including the potential impact of the ongoing sanctions against Russia and the challenge by the Founder to the steps taken by the Charity Commission.

The Interim Manager considers that there is 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, the going concern basis in preparing the financial statements continues to be adopted.

Investment policy and performance

The Trustees appoint investment managers to manage the charity's investments on a discretionary basis. At the start of the year, both Goldman Sachs International and J P Morgan International Bank Limited each managed a portfolio of investments. However, J P Morgan International Bank Limited terminated their engagement and the investments held under their management were liquidated, transferred to the Interim Manager's account and are now held in sterling. Goldman Sachs International continue to provide discretionary investment management services on a portfolio of investments. The investment aim has been to generate income and capital growth to fund grantmaking but in light of the turbulent capital markets during the year, there was an investment loss of \$17m. At the balance sheet date the charity's funds stood at \$117m (2020: \$134m).

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (Continuing)

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Interim Manager, on behalf of the trustees (who are also directors of The Potanin Foundation for the purposes of company law) is 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.

AUDITOR

Each of the persons who is a Trustee and the interim manager 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.

This report was approved and signed by the Interim Manager on 27th September 2023.



Guy Hollander
Interim Manager

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Rights Practice (the 'charitable company') for the year ended 31 December 2022 which comprise the statement of financial activities, the statement of financial position, the statement of cash flows and the 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, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at [date], and of its 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.

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 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 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 is sufficient and appropriate to provide a basis for our opinion

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the trustees annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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

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 which includes the directors' report prepared for the purposes of company law, is consistent with the financial statements; and
- the directors' report included within the Trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach was as follows:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the entity.

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

We communicated identified laws and regulations and potential fraud risks to all engagement team members

and remained alert to any indications of fraud or non-compliance with laws and regulations throughout audit. We examined and discussed with management any known or suspected instances of fraud or non-compliance with laws and regulations.

We assessed the risks of material misstatement in respect of fraud as follows:

The audit team discussed whether there were any areas that were susceptible to misstatement as part of their fraud discussion.

In addressing the risk of management override of controls, we tested the appropriateness of journal entries with a focus on large or unusual transactions based on criteria determined using our knowledge of the organization and industry. We also challenged assumptions and judgements made.

We incorporated an element of unpredictability in the selection of the nature, timing and extent of our audit procedures.

Based on the results of our risk assessment we designed our audit procedures to identify and to address material misstatements in relation to fraud, including bribery and non-compliance.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the charitable company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the charitable company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (ie. gives a true and fair view).

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

Use of our report

This report is made solely to the 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.

James Foskett(Senior Statutory Auditor)
For and on behalf of
Cansdales Audit LLP
St Mary's Court
The Broadway
Old Amersham
Bucks
HP7 0UT

Date:

STATEMENT OF FINANCIAL ACTIVITIES
(Incorporating an Income and Expenditure Account)
FOR THE YEAR ENDED 31 DECEMBER 2022

		Unrestricted funds	
	Notes	2022	2021
		\$000	\$000
Income from:			
Investment income	2	879	1,037
Total income		879	1,037
Expenditure on:			
Raising funds:			
Investment management costs		328	782
Charitable activities:			
Grants Payable	3	-	(22,928)
Costs of charitable activities	4	286	298
Total expenditure		614	(21,848)
Net expenditure before net gains on investments		265	22,885
Net gains on investment assets		(17,422)	12,853
Net income/(expenditure)		(17,157)	35,738
Total funds brought forward		133,980	98,242
Total funds carried forward		116,823	133,980

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 20 form an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2022

		2022		2021	
	Notes	\$000	\$000	\$000	\$000
Fixed assets					
Investments	7		60,547		134,159
Current assets					
Cash at bank		56,335		35	
Creditors: amounts falling due within one year	8	(59)		(214)	
Net current liabilities			<u>56,276</u>		<u>(179)</u>
Total assets less current liabilities being net current assets			116,823		133,980
Creditors: amounts falling due in greater than one year			-		-
Total assets less total liabilities being net assets			<u>116,823</u>		<u>133,980</u>
Funds					
Unrestricted charitable funds			<u>116,823</u>		<u>133,980</u>
Total funds			<u>116,823</u>		<u>133,980</u>

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 20 form an integral part of these financial statements.

Approved by the Trustees and authorised for issue and signed on their behalf on 27 September 2023



Guy Hollander
Interim manager

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022		2021	
		\$000	\$000	\$000	\$000
Cash flows from operating activities					
Net cash used in operating activities			(769)		(1,081)
Cash flow from investing activities					
Net cash withdrawn from investment portfolios		57,069		1,067	
Net cash provided by investing activities			57,069		1,067
Change in cash and cash equivalents in the year			56,300		(14)
Cash and cash equivalents as at 1 January 2022			35		49
Cash and cash equivalents as at 31 December 2022			56,335		35

Reconciliation of net income to cash flows from operating activities

	2022	2021
	\$000	\$000
Net income/(expenditure)	(17,157)	35,738
Gains on financial investments	17,422	(12,853)
Investment income received into cash held by investment managers	(879)	(1,037)
(Decrease)/increase in creditors	(155)	(22,729)
Net cash used in operating activities	(769)	(1,081)

The notes on pages 14 to 20 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(continued)

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

The charity's aims and objectives, taking into account a number of potential changes in performance and funding, together with the appointment of the Interim Manager show that the charity should be able to operate at adequate levels of both liquidity and reserves for the foreseeable future.

Consequently, the Interim Manager is satisfied that the charity should have sufficient resources to continue its operations for the foreseeable future and therefore it is appropriate to 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.

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.

1.4 (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.

1.4 (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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(continued)

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 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.

1.8 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(continued)

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.

1.9 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.

1.10 Significant estimates and judgements

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

1.11 Entity status

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

2. Investment income

	2022	2021
	\$000	\$000
Interest and dividends receivable	<u>879</u>	<u>1,037</u>
	<u>879</u>	<u>1,037</u>

3. Grants Payable

Grants awarded:

The Valadimir Potanin Foundation (Russia)	<u>-</u>	<u>(22,928)</u>
	<u>-</u>	<u>(22,928)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
(continued)

4. Cost of charitable activities

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

	2022	2021
	\$000	\$000
Costs of grantmaking:		
Advisory services	-	37
Programme management	-	103
VPF programme costs	-	140
Professional fees	-	41
	-	181
Governance costs:		
Management charges	-	82
Interim managers fees excluding irrecoverable VAT	73	
Interim managers expenses excluding irrecoverable VAT	1	
VAT thereon,	15	
Legal fees	-	4
Foreign exchange loss	156	
Audit fee for the audit of the annual accounts:		
Fee excluding irrecoverable VAT	34	26
VAT thereon	7	5
	<u>286</u>	<u>299</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(continued)

5. Trustees and related party transactions

The charity's corporate trustee, CAF Global Trustees, was a related party of the Charities Aid Foundation (CAF, registered charity number 268369). CAF's services ended on 31 December 2021. CAF provided services to the charity in respect of the management of the charity's compliance with constitutional and statutory requirements amounting to Nil (2021: \$83,000). CAF also provided services to the charity for the grant programme, including Nil (2021: \$37,000) for advisory services Nil (2021: \$103,000) of programme management costs.

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 (2021: none).

6. Employees

There were no employees during the year (2021: none).

During the year there was no member of staff employed by CAF (2021: one) whose responsibilities were largely in respect of The Potanin Foundation.

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.

	2022	2021
	\$000	\$000
Market value at 1 January	134,162	121,336
Income received and retained in portfolios	837	1,037
Cash withdrawn from portfolios	(57,030)	(1,068)
Net realised loss	(8,693)	9,345
Net unrealised loss	(8,729)	3,509
Market value at 31 December	60,547	134,159
Historical cost:		
At 31 December	49,021	103,342

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(continued)

7. Fixed asset investments (continued)

Represented by:	2022	2021
	\$000	\$000
Fixed income:		
US	13,115	31,508
Other	4,277	4,623
Equities:		
UK	-	2,330
Rest of Europe	5,087	36,596
North America	23,290	28,180
Asia	2,715	3,225
International	953	2,069
Other	1,857	1,268
Other:		
Pooled Funds:		
International	5,099	17,000
Hedge funds	3,677	6,741
Short-term liquidity and settlements pending	477	619
	60,547	134,159

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 2022 or 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(continued)

	2022		Total \$000
	Level 1 \$000	Level 2 \$000	
Fixed income investments	17,392		17,392
Equities	33,902		33,902
Alternative investments	3,677		3,677
Other investments	5,031	68	5,099
Equity-based investments	42,610	68	42,678
Cash held pending investment	477		477
	60,479	68	60,547

	2021		Total \$000
	Level 1 \$000	Level 2 \$000	
Fixed income investments	36,127	-	36,127
Equities	73,669	-	73,669
Alternative investments	6,425	319	6,744
Other investments	5,428	11,572	17,000
Equity-based investments	85,522	11,891	97,413
Cash held pending investment	619	-	619
	122,268	11,891	134,159

8. Creditors: amounts falling due within one year

	2022 \$000	2021 \$000
Grants payable	-	-
Accruals	59	214
	59	214

9. 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.

THE POTANIN FOUNDATION

England & Wales - Charity number 1112813

Accounts

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 2021

**TRUSTEES' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2021**

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CHARITY INFORMATION, TRUSTEES AND ADVISORS

Trustees	Sir John Low CBE Michael Fullerlove (appointed 13 October 2021) David Greene (appointed 13 October 2021) Demetris Pisiaras (appointed 13 October 2021) CAF Global Trustees (the corporate Trustee) resigned 31 December 2021
Charity number	1112813
Company number	05514908
Interim Manager	Guy Hollander (appointed by Charity Commission 12 July 2022)
Registered office	C/O Mazars LLP 30 Old Bailey London EC4M 7AU
Bankers	Goldman Sachs International River Court 120 Fleet Street London EC4A 2BE
Investment advisers	Goldman Sachs International River Court 120 Fleet Street London EC4A 2BE J P Morgan International Bank Limited 125 London Wall London EC2Y 5AJ
Auditor	Cansdales Audit LLP St Mary's Court The Broadway Old Amersham Bucks, England HP7 0UT

**TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021
(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 2021.

The Trustees' report and financial statements are presented in US dollars (\$), which is the Charity's operating currency.

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.

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.

In March 2019, the Trustees signed a strategic grant agreement with the VPF providing funding of up to \$50.6m payable over three years. By 31 December 2020, the Charity had provided funding to VPF of \$27.7m, with further funding of \$22.9m to be made in 2021. However, in August 2021, the Trustees and the VPF agreed to terminate the Grant Agreement. No payments were made in 2021, nor will any further payments be made under this agreement. Consequently, the Grants Payable of \$22.9m have been written back in 2021.

It had been the intention of the Trustees to recommence general grant making within the objectives of the Charity as soon as circumstances permit. However, it will not be possible to award grants to VPF or any charitable activity in Russia for the foreseeable future and funds will be directed to relevant charitable activities in the UK and other permissible jurisdictions. The intentions of the Trustees have been further hampered following a significant post balance sheet event (see below).

Financial review

During the year the Charity's funds and net assets increased by \$35.7m to \$134m (2020: increased by \$9.3m to \$98.2m). This is principally the result of investment gains of \$12.9m (2020: \$9.8m) and reversal of Grants Payable of \$22.9m (2020 \$nil) as referenced above.

The investment position on 31 December 2021 reflects the recovery in world stock markets, following the initial impact of the Covid-19 pandemic.

No grants were awarded in the current year (2020: \$nil).

The net impact of investment gains and other income and expenditure, together with grant funding released during the year, saw fixed asset investments increase to \$134.2m on 31 December 2021 (2020: increase to \$121.3m).

Investment management fees paid to investment managers for management of the Charity's investments on a discretionary basis amounted to \$0.8m (2020: \$0.6m).

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (Continuing)

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 and credit risk, Covid-19 and Geopolitical risks

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 compared with US CPI, 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.

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 Charity'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. Although vaccination programmes are beginning to have some impact, uncertainties remain regarding the outcome which may impact the future objectives; 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.

Geopolitical

Increasing geopolitical tension was evident during 2021, which had the potential to interfere with cross border grant making and the delivery of Charitable activities aligned to the Charity's objectives. The biggest risk was to grant funding held by beneficiaries pending use or distribution. This was actively managed with flexibility given to accelerate delivery of appropriate Charitable activities rather than allowing funds to be held for excessive periods. Also phased funding based on schedules minimised the risk.

The potential impact of geopolitical risk on the assets is detailed above and largely mitigated by holding the investments in established western markets and in US dollars.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (Continuing)

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 on four occasions during the year (2020: four). The day-to-day management of the Charity during the year was 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 (until 31.12.2021) and Sir John Low. 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.

Having secured Charity Commission approval, the Member amended the Articles of Association by Special Resolution on 13th October 2021 for appointment of additional trustees.

The Member appointed Michael Fullerlove, David Greene and Demetris Pisiaras as Trustees by Ordinary Resolution on 13th October 2021, in anticipation of CAF GT's resignation on 31st December 2021 as Corporate Trustee after serving for 16 years.

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 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 had been awarded primarily to support the programmes of the VPF, in accordance with the Charity's objectives. However, as set out earlier in this report, the Grants Agreement with the VPF was terminated in August 2021. Grants can be awarded to other programmes outside of VPF that match the Charity's objectives but no grants were made in 2021.

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.

On 31 December 2021, the value of the Charity's funds (reserves) stood at \$134m (2020: \$121m). The Trustees consider this an adequate level of reserves for this purpose.

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 economic impacts following Covid-19 pandemic and geopolitical risks. Recognising the uncertainty associated with predicting the economic impact of both, 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 2021, the Trustees have concluded that the risk of this situation occurring is remote.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (Continuing)

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 \$134m (2020: \$121m).

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.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (Continuing)

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.

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.

This report was approved and signed by the Interim Manager.



23.12.2022

Guy Hollander
Interim Manager

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

Report on the audit of the financial statements

We have audited the financial statements of Potanin Foundation (the 'Charitable company') for the year ended 31st December 2021 which comprise the Statement of Financial activities, the statement of financial position, the statement of cash flows and the 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, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31.12.2021, and of its 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.

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 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 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the trustees annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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

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 incorporating the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' 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' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 7, 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 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach was as follows:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the entity.

We communicated identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the

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

audit. We examined and discussed with management any known or suspected instances of fraud or non-compliance with laws and regulations.

We assessed the risks of material misstatement in respect of fraud as follows:

The audit team discussed whether there were any areas that were susceptible to misstatement as part of their fraud discussion.

In addressing the risk of management override of controls, we tested the appropriateness of journal entries with a focus on large or unusual transactions based on criteria determined using our knowledge of the organization and industry. We also challenged assumptions and judgements made.

We incorporated an element of unpredictability in the selection of the nature, timing and extent of our audit procedures.

Based on the results of our risk assessment we designed our audit procedures to identify and to address material misstatements in relation to fraud, including bribery and non-compliance

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

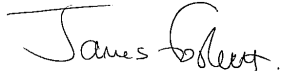
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the charitable company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the charitable company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (ie. gives a true and fair view).

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.



James Foskett (Senior Statutory Auditor)
For and on behalf of
Cansdales Audit LLP

Date: 23 December 2022.

St Mary's Court
The Broadway
Old Amersham
Bucks
HP7 0UT

STATEMENT OF FINANCIAL ACTIVITIES
(Incorporating an Income and Expenditure Account)
FOR THE YEAR ENDED 31 DECEMBER 2021

		Unrestricted funds	
	Notes	2021 \$000	2020 \$000
Income from:			
Investment income	2	1,037	428
Total income		<u>1,037</u>	<u>428</u>
Expenditure on:			
Raising funds:			
Investment management costs		782	630
Charitable activities:			
Grants Payable	3	(22,928)	
Costs of charitable activities	4	298	319
Total expenditure		<u>(21,848)</u>	<u>949</u>
Net expenditure before net gains on investments		22,885	(521)
Net gains on investment assets		12,853	9,795
Net income/(expenditure)		<u>35,738</u>	<u>9,274</u>
Total funds brought forward		98,242	88,968
Total funds carried forward		<u>133,980</u>	<u>98,242</u>

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 20 form an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2021

	Notes	2021		2020	
		\$000	\$000	\$000	\$000
Fixed assets					
Investments	7		134,159		121,336
Current assets					
Cash at bank		35		49	
Creditors: amounts falling due within one year	8	<u>(214)</u>		<u>(23,143)</u>	
Net current liabilities			<u>(179)</u>		<u>(23,094)</u>
Total assets less current liabilities being net current assets			133,980		98,242
Creditors: amounts falling due in greater than one year			-		-
Total assets less total liabilities being net assets			<u>133,980</u>		<u>98,242</u>
Funds					
Unrestricted charitable funds			<u>133,980</u>		<u>98,242</u>
Total funds			<u>133,980</u>		<u>98,242</u>

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 20 form an integral part of these financial statements.



Guy Hollander
Interim manager

23 December 2022

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021		2020	
		\$000	\$000	\$000	\$000
Cash flows from operating activities					
Net cash used in operating activities			(1,081)		(9,419)
Cash flow from investing activities					
Cash withdrawn from investment portfolios		1,067		9,440	
Net cash provided by investing activities			1,067		9,440
Change in cash and cash equivalents in the year			(14)		21
Cash and cash equivalents as at 1 January 2021			49		28
Cash and cash equivalents as at 31 December 2021			35		49

Reconciliation of net income to cash flows from operating activities

	2021	2,020
	\$000	\$000
Net income/(expenditure)	35,738	9,274
Gains on financial investments	(12,853)	(9,795)
Investment income received into cash held by investment managers	(1,037)	(428)
(Decrease)/increase in creditors	(22,729)	(8,470)
Net cash used in operating activities	(1,081)	(9,419)

The notes on pages 14 to 20 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 economic impacts following Covid-19 pandemic and geopolitical risks. Recognising the uncertainty associated with predicting the economic impact of both, 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 2021, 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.

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.

1.4 (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.

1.4 (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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

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.

2. Investment income

	2021	2,020
	\$000	\$000
Interest and dividends receivable	<u>1,037</u>	<u>428</u>
	<u>1,037</u>	<u>428</u>

3. Grants Payable/(Withdrawn)

Grants awarded:

The Vladimir Potanin Foundation (Russia)	<u>(22,928)</u>	<u>-</u>
	<u>(22,928)</u>	<u>-</u>

In March 2019, the Trustees signed a strategic grant agreement with the Vladimir Potanin Foundation (VPF) providing funding of up to \$50.6m payable over three years. This amount had been charged to the Income and Expenditure account in full in 2019. By 31 December 2020, the Charity had provided funding to VPF of \$27.7m, with further funding of \$22.9m to be made in 2021. However, in August 2021, the Trustees and the VPF agreed to terminate the Grant Agreement. No payments were made in 2021, nor will any further payments be made under this agreement. Consequently, the Grants Payable of \$22.9m have been written back in 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**4. Cost of charitable activities**

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

	2021	2,020
	\$000	\$000
Costs of charitable activities:		
Advisory services	37	60
Programme management	<u>103</u>	<u>93</u>
VPF programme costs	140	153
Professional fees	<u>41</u>	<u>35</u>
	181	188
Governance costs:		
Management charges	82	74
Legal fees	4	27
Audit fee for the audit of the annual accounts:		
Fee excluding irrecoverable VAT	26	25
VAT thereon	<u>5</u>	<u>5</u>
	<u>117</u>	<u>131</u>
	<u>298</u>	<u>319</u>
Amounts payable to CAF included above and inclusive of VAT (see note 5):		
VPF programme costs	140	153
Management charges	<u>82</u>	<u>74</u>
	<u>222</u>	<u>227</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 \$82,000 (2020: \$74,000). CAF also provided services to the Charity for the grant programme, including \$37,000 (2020: \$60,000) for advisory services, \$103,000 (2020: \$93,000) of programme management costs.

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 (2020: none).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

6. Employees

There were no employees during the year (2020: none).

During the year there was one member of staff employed by CAF (2020: one) whose responsibilities were largely in respect of The Potanin Foundation. Total employment costs are recharged where activities have been undertaken for The Potanin Foundation. Staff costs are included in programme management costs 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.

	2021	2020
	\$000	\$000
Market value at 1 January	121,336	120,553
Income received and retained in portfolios	1,037	428
Cash withdrawn from portfolios	(1,068)	(9,440)
Net realised gains	9,345	3,868
Net unrealised gains	<u>3,509</u>	<u>5,927</u>
Market value at 31 December	<u>134,159</u>	<u>121,336</u>
Historical cost:		
At 31 December	<u>103,342</u>	<u>94,483</u>

Represented by:	2021	2020
	\$000	\$000
Fixed income:		
US	31,508	29,331
Other	4,623	4,259
Equities:		
UK	2,330	13,223
Rest of Europe	36,596	25,103
North America	28,180	21,941
Asia	3,225	3,173

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**7. Fixed asset investments (continued)**

International	2,069	1,783
Other	1,268	1,271
Other:		
Pooled Funds:		
International	17,000	9,421
Hedge funds	6,741	11,454
Short-term liquidity and settlements pending	619	377
	134,159	121,336

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 2021.

Accounting classifications and fair values:

	2021		Total \$000
	Level 1 \$000	Level 2 \$000	
Fixed income investments	36,127	-	36,127
Equities	73,669	-	73,669
Alternative investments	6,425	319	6,744
Other investments	5,428	11,572	17,000
Equity-based investments	85,522	11,891	97,413
Cash held pending investment	619	-	619
	122,268	11,891	134,159
	2020		
	Level 1 \$000	Level 2 \$000	Total \$000
Fixed income investments	33,590	-	33,590
Equities	66,494	-	66,494
Other investments	4,710	4,711	9,421
Equity-based investments	77,004	10,365	87,369
Cash held pending investment	377	-	377
	110,971	10,365	121,336

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

8. Creditors: amounts falling due within one year

	2021	2020
	\$000	\$000
Grants payable	-	22,928
Accruals	<u>214</u>	<u>215</u>
	<u>214</u>	<u>23,143</u>

9. 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.

10. Post balance sheet events

Since February 2022, Trustees have closely monitored developments in Ukraine and the global response to Russia's actions, and considered the potential impact on the Charity. Trustees submitted a Serious Incident Report to the Charity Commission on 21 April 2022 after the withdrawal of some professional service providers and following Mr Potanin's designation by the Canadian and Australian governments.

On 29 June 2022, the Charity Commission opened a statutory inquiry into the Potanin Foundation, after the Foreign, Commonwealth and Development Office sanctioned Mr Potanin under the UK's Russia (Sanctions) (EU Exit) Regulations 2019. As a result, the Potanin Foundation was subject to UK sanctions until the Charity Commission issued an Order suspending Mr Potanin as Member on 27 July 2022.

On 12 July 2022, the Charity Commission appointed Guy Hollander of Mazars LLP as Interim Manager having all the powers and duties of the trustees of the Charity, to the exclusion of the Charity's trustees.

The Charity Commission's Statutory Inquiry is ongoing at the date of these accounts and the Interim Manager continues to manage and operate the Charity.

As a result of the sanctioning of Mr Potanin on 29 June 2022, J P Morgan International Bank Limited gave notice to terminate their engagement. Subsequently, they have liquidated the investment portfolio managed by them on the Charity's behalf and have paid over the funds to the Interim Manager to retain under his control. Goldman Sachs International are continuing to provide banking and investment management services to the Charity.

Mr Potanin has sought to challenge the sanctioning of the Charity and whilst this matter is pending resolution, the Interim Manager has confirmed that he will not dissipate any of the funds through grants and or donations to any organisation, institution or beneficiary.

THE POTANIN FOUNDATION

England & Wales - Charity number 1112813

Accounts

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 2020

**TRUSTEES' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2020**

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CHARITY INFORMATION, TRUSTEES AND ADVISORS

Trustees	CAF Global Trustees (the corporate Trustee) Sir John Low CBE
Charity number	1112813
Company number	05514908
Directors of the Corporate Trustee	Sir John Low CBE Mike Dixon Michael Mapstone (appointed 15 July 2020, resigned 16 February 2021) Kate Mayor (appointed 16 February 2021)
Registered office	25 Kings Hill Avenue Kings Hill West Malling Kent ME19 4TA
Bankers	Goldman Sachs International River Court 120 Fleet Street London EC4A 2BE
Investment advisers	Goldman Sachs International River Court 120 Fleet Street London EC4A 2BE J P Morgan International Bank Limited 125 London Wall London EC2Y 5AJ
Auditor	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 2020.

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

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 2019 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.

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 2020 (continued)

Achievements and performance

As at 1 January 2019, the charity had paid \$19.4m of the \$50.6m committed to the VPF under the terms of the three-year grant agreement. This represented 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 applied \$13.7m to three of the four major programmes, as follows:

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

The launch of the fourth programme, the Sport for Social Change programme, was deferred to the second phase. This enabled the VPF to focus on the 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 line with all organisations, the uncertainty brought by the Covid-19 pandemic in early 2020, had a significant impact on the operations of the VPF. However, despite the VPF personnel moving to working remotely from its offices, it was able to continue to run the three programmes, with the VPF providing support to its grantees remotely. However, monitoring visits had to be suspended and extensions granted to existing VPF grantees.

In addition and in response to the impact of the Covid-19 pandemic, the VPF was able to launch three further programmes to alleviate the impact of Covid-19 on Russian charities. Given the unprecedented circumstances, the Trustees approved a proposal from the VPF for unspent year-one programme funding of \$1.6m to be applied to following three new VPF programmes:

- Common Cause (Respond) – an urgent response programme;
- New Dimension (Recover) – supporting stable operations and long-term development; and
- Philanthropy School (Rebuild and Reset) – supporting social initiatives and NGO projects for disadvantaged groups and communities.

Given the VPF's effective transition to remote-working and in accordance with the grant agreement with the VPF, during 2020 the charity paid a further \$8.3m. This represented a partial amount due for the second year and brought the total paid in respect of year two of the programme to \$12.4m. During 2020 the VPF spent \$8.4m of the year-two funding, with \$4.0m remaining unspent.

As required by the terms of the grant agreement, the Trustees receive and review quarterly reports from the VPF, as well as an annual report in respect of the application of the grant funds. The annual report for 2020 received in March 2021 describes the outcomes and impact achieved by the programmes funded by the charity. Despite the challenges and impact of Covid-19 and expenditure being lower than anticipated, the VPF was able to achieve and surpass the planned outcomes for 2020 and exceeded projections in respect of:

- cross-sector collaborations through the creation of more online networking;
- programme participants given the scaling-up of programmes;
- events participants as a result of the provision of online formats;
- students, professionals and institutions supported including through digital internships;
- website and social media audiences, including the availability of expert interviews; and
- social media reach and engagement.

Consequently, the Trustees were satisfied with the performance and the outcomes of the VPF's programmes in 2020.

Since the onset of Covid-19 in March 2020 and the associated lockdowns in the UK, the charity has been 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. 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 no material adverse impact on the market value of investments. At 31 August 2021 the market value of the investments was \$133.2m.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

Aims for next year

At 31 December 2020, \$22.9m was outstanding in respect of the final year of the three-year commitment to the VPF. However, none of this commitment has been paid to the VPF at the time of signing this report.

At the end of August 2020 the VPF suspended application of the charity's funding to its programme activities. In November 2020, with the charity's agreement, the VPF resumed modified programme activities utilising the unspent funds to achieve the agreed programme objectives. The VPF has since reviewed the ongoing suitability of the grant programme funded by the charity. In April 2021, the VPF notified the charity that it wished to waive the right to receive the remaining tranches due for the second and third year as set out in the grant agreement.

The VPF stated it had been necessary to review and restructure its activities for 2020 and 2021 to reflect the significantly changed circumstances arising from the Covid-19 pandemic. It was further noted that even though the programme had not been delivered in the way it was originally envisaged, the agreed outcomes for 2020 were achieved and those for 2021 were expected to be achieved before the end of year. Further to moving many activities online a reduced level of funding was required to achieve the agreed goals.

Consequently, in August 2021, the VPF and Trustees have agreed that no further payments will be made under the grant agreement. Also, an updated plan has been agreed under which the VPF may use the previously-received unspent funds of \$4.0m to advance the four major programmes detailed above and increase and strengthen its operational and capacity-building needs and/or the administration support as it works towards a post-pandemic operating model.

No further funds have been remitted by the charity to the VPF since the balance sheet date either under the terms of the grant agreement or otherwise.

Potential changes to the governance structure are reported below within the Appointment of Trustees section.

Financial review

During the year the charity's funds and net assets increased by \$9.3m to \$98.2m (2019: decreased by \$35.7m to \$89.0m). This is principally the result of investment gains of \$9.8m (2019: \$18.8m).

The investment position at 31 December 2020 reflects the recovery in world stock markets, following the initial impact of the Covid-19 pandemic earlier in the year. Realised gains of \$3.9m (2019: \$5.3m) and unrealised gains of \$5.9m (2019: \$13.5m) arose on fixed asset investments during the year.

No grants were awarded in the current year (2019: \$54.6m). However, a further \$8.3m (2019: \$19.4m) was paid to the VPF in respect of the second year of the three-year grant commitment for \$50.6m entered into in 2019.

The net impact of investment gains and other income and expenditure, together with grant funding paid during the year, saw fixed asset investments increase to \$121.3m at 31 December 2020 (2019: decrease to \$120.6m from \$124.8m).

Investment management fees paid to investment managers for management of the charity's investments on a discretionary basis amounted to \$0.6m (2019: \$0.7m).

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.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

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 compared with US CPI, 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.

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 charity'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. Although vaccination programmes are beginning to have some impact, uncertainties remain regarding the outcome which may impact the future objectives; 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 on four occasions during the year (2019: seven). 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. 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.

The Trustees are liaising with the Founder's, representative and legal advisers with a view to refreshing the governance structure of the charity which was established in 2005 at the time of incorporation and registration. This would necessitate changes to the charity's Memorandum and Articles of Association, which require Charity Commission approval. Although the Trustees were not party to the application, it is understood that the Charity Commission has approved the amendments to the Articles of Association proposed by the Founder.

As a result, it is anticipated that new Trustees will be appointed during 2021 and existing Trustees will step aside having served for 16 years (CAF Global Trustees) and 14 years (Sir John Low).

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

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 2020, the value of the charity's funds (reserves) stood at \$98.2m (2019: \$89.0m). The 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. In addition, the reserves at the balance sheet date are net of the remaining grant funding of \$22.9m due the VPF under the terms of the three-year grant agreement. Following a request in April 2021 from the VPF to waive its right to receive that the remaining funding due, the Trustees are liaising with the VPF to agree the terms for terminating the agreement.

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 continuing Covid-19 pandemic. 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 2020, 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 \$98.2m (2019: \$89.0m).

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.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

Post balance sheet events

Details have been set out earlier in this report of the Trustees' agreement, in principle, to the request received in April 2021 from the VPF to waive its right to receive the remaining tranches of the second and third year funding under the terms of the grant agreement. In August 2021, the VPF and Trustees reached agreement that no further payments will be made under the grant agreement. 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.

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 27 September 2021



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 2020 and of its 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 11.

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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the [group's and parent] charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the trustees' report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the charitable company's industry and its control environment, and reviewed the charitable company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the charitable company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Charities Act, UK Companies Act, and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the charitable company's ability to operate or to avoid a material penalty. These included the Charity Commission for England and Wales (Charity Commission) regulations, and money laundering and bribery legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address them are described below:

- Risk due to fraud related to the application of grants for charitable purposes. We have addressed this risk by evaluating the design and implementation of the controls over the initial due diligence of potential grantees and the process for monitoring the activity of the grantees including a review by management of the quarterly report reviews. We have substantively tested a sample of grant payments to the original approved agreement.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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.

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



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

Date: 30 September 2021

STATEMENT OF FINANCIAL ACTIVITIES
(incorporating an Income and Expenditure Account)
FOR THE YEAR ENDED 31 DECEMBER 2020

		Unrestricted funds	
	Notes	2020	2019
		\$000	\$000
Income from:			
Investment income	2	428	1,147
Total income		428	1,147
Expenditure on:			
Raising funds:			
Investment management costs		630	708
Charitable activities:			
Grants payable	3	-	54,575
Costs of charitable activities	4	319	368
Total expenditure		949	55,651
Net expenditure before net gains on investments		(521)	(54,504)
Net gains on investment assets	7	9,795	18,823
Net income/(expenditure)		9,274	(35,681)
Total funds brought forward		88,968	124,649
Total funds carried forward		98,242	88,968

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 2020

	Notes	2020		2019	
		\$000	\$000	\$000	\$000
Fixed assets					
Investments	7		121,336		120,553
Current assets					
Cash at bank		49		28	
Creditors: amounts falling due within one year	8	<u>(23,143)</u>		<u>(17,523)</u>	
Net current liabilities			<u>(23,094)</u>		<u>(17,495)</u>
Total assets less current liabilities being net current assets			98,242		103,058
Creditors: amounts falling due in greater than one year	9		-		(14,090)
Total assets less total liabilities being net assets			<u>98,242</u>		<u>88,968</u>
Funds					
Unrestricted charitable funds			98,242		88,968
Total funds			<u>98,242</u>		<u>88,968</u>

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 27 September 2021



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 2020

		2020		2019	
	Notes	\$000	\$000	\$000	\$000
Cash flows from operating activities					
Net cash used in operating activities			(9,419)		(24,216)
Cash flow from investing activities					
Cash withdrawn from investment portfolios		9,440		24,184	
Net cash provided by investing activities	10		9,440		24,184
Change in cash and cash equivalents in the year			21		(32)
Cash and cash equivalents as at 1 January 2020			28		60
Cash and cash equivalents as at 31 December 2020			49		28

Reconciliation of net income to cash flows from operating activities

	2020	2019
	\$000	\$000
Net income/(expenditure)	9,274	(35,681)
Gains on financial investments	(9,795)	(18,823)
Investment income received into cash held by investment managers	(428)	(1,147)
(Decrease)/increase in creditors	(8,470)	31,435
Net cash used in operating activities	(9,419)	(24,216)

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 2020

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 continuing Covid-19 pandemic. 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 2020, 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.

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.

1.4 (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.

1.4 (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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(continued)

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(continued)

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 2020

(continued)

2. Investment income

	2020	2019
	\$000	\$000
Interest and dividends receivable	428	1,147
	<u>428</u>	<u>1,147</u>

3. Grants payable

	2020	2019
	\$000	\$000
Grants awarded:		
The Vladimir Potanin Foundation (Russia)	-	50,616
St Edmund Hall (University of Oxford)	-	3,959
	<u>-</u>	<u>54,575</u>

4. Cost of charitable activities

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

	2020	2019
	\$000	\$000
Costs of grantmaking:		
Validation services	-	16
Advisory services	60	163
Programme management	93	55
VPF programme costs	<u>153</u>	<u>234</u>
Professional fees	<u>35</u>	<u>30</u>
	188	264
Governance costs:		
Management charges	74	73
Legal fees	27	3
Audit fee for the audit of the annual accounts:		
Fee excluding irrecoverable VAT	25	23
VAT thereon	<u>5</u>	<u>5</u>
	131	104
	<u>319</u>	<u>368</u>
Amounts payable to CAF included above and inclusive of VAT (see note 5):		
VPF programme costs	153	234
Management charges	<u>74</u>	<u>73</u>
	<u>227</u>	<u>307</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(continued)

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 \$74,000 (2019: \$73,000). CAF also provided services to the charity for the grant programme, including \$60,000 (2019: \$163,000) for advisory services, \$93,000 (2019: \$55,000) of programme management costs and \$nil (2019: \$16,000) for validation services.

As at 31 December 2020, an amount of \$64,734 was unpaid (2019: \$214,706).

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 (2019: none).

6. Employees

There were no employees during the year (2019: none).

During the year there was one member of staff employed by CAF (2019: one) whose responsibilities were largely in respect of The Potanin Foundation. Total employment costs are recharged where activities have been undertaken for The Potanin Foundation. Staff costs are included in programme management costs 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.

	2020	2019
	\$000	\$000
Market value at 1 January	120,553	124,767
Income received and retained in portfolios	428	1,147
Cash withdrawn from portfolios	(9,440)	(24,184)
Net realised gains	3,868	5,283
Net unrealised gains	5,927	13,540
Market value at 31 December	121,336	120,553
Historical cost:		
At 31 December	94,483	99,520

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(continued)

7. Fixed asset investments (continued)

Represented by:	2020	2019
	\$000	\$000
Fixed income:		
US	29,331	28,363
Other	4,259	4,552
Equities:		
UK	13,223	-
Rest of Europe	25,103	33,609
North America	21,941	16,844
Asia	3,173	6,102
International	1,783	4,996
Other	1,271	3,135
Other:		
Pooled Funds:		
International	9,421	9,859
Hedge funds	11,454	11,879
Short-term liquidity and settlements pending	377	1,214
	<u>121,336</u>	<u>120,553</u>

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 2020 or 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(continued)

7. Fixed asset investments (continued)

Accounting classifications and fair values:

Classification and fair values:

	2020		Total \$000
	Level 1 \$000	Level 2 \$000	
Fixed income investments	33,590	-	33,590
Equities	66,494	-	66,494
Alternative investments	5,800	5,654	11,454
Other investments	4,710	4,711	9,421
Equity-based investments	77,004	10,365	87,369
Cash held pending investment	377	-	377
	110,971	10,365	121,336
	2019		Total \$000
	Level 1 \$000	Level 2 \$000	
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
	109,409	11,143	120,553

8. Creditors: amounts falling due within one year

	2020 \$000	2019 \$000
Grants payable	22,928	17,123
Accruals	215	400
	23,143	17,523

On 1 February 2019, the board awarded a grant of \$50.6m to the Vladimir Potanin Foundation (the VPF) payable over three years. As at 31 December 2020, \$27.7m had been paid. Under the terms of the grant agreement the remaining \$22.9m falls due within 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 subsequent years may not proceed.

See also the details of post balance sheet events set out in note 11 below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(continued)

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

	2020	2019
	\$000	\$000
Grants payable	-	14,090
	<u>-</u>	<u>14,090</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.

11. Post balance sheet events

As described in the Trustees' report, the Trustees' agreed, in principle, to a request received in April 2021 from the VPF to waive its right to receive the remaining tranches of the second and third year funding under the terms of the three-year grant agreement (see note 8). In August 2021, the VPF and Trustees reached agreement that no further payments will be made under the grant agreement. Consequently, at the date of signing this report, no further payments have been made or are expected to be made to the VPF in respect of this grant commitment. Otherwise, there have been no significant post balance sheet events.