

**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

<b>Trustees</b>	CAF Global Trustees (the corporate Trustee) Sir John Low CBE
<b>Charity number</b>	1112813
<b>Company number</b>	05514908
<b>Directors of the Corporate Trustee</b>	Sir John Low CBE Mike Dixon Michael Mapstone (appointed 15 July 2020, resigned 16 February 2021) Kate Mayor (appointed 16 February 2021)
<b>Registered office</b>	25 Kings Hill Avenue Kings Hill West Malling Kent ME19 4TA
<b>Bankers</b>	Goldman Sachs International River Court 120 Fleet Street London EC4A 2BE
<b>Investment advisers</b>	Goldman Sachs International River Court 120 Fleet Street London EC4A 2BE  J P Morgan International Bank Limited 125 London Wall London EC2Y 5AJ
<b>Auditor</b>	Deloitte LLP Statutory Auditor Hill House 1 Little New Street London EC4A 3TR

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

The Trustees present their Trustees' report together with the audited financial statements of the charity for the year ended 31 December 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](http://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**

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

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

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

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

**BALANCE SHEET AS AT 31 DECEMBER 2020**

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

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

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

Approved by the Trustees and authorised for issue and signed on their behalf on 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**

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

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

	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>
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
<b>Net cash used in operating activities</b>	<b>(9,419)</b>	<b>(24,216)</b>

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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 \$000	2019 \$000
Interest and dividends receivable	428	1,147
	<u>428</u>	<u>1,147</u>

**3. Grants payable**

	2020 \$000	2019 \$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 \$000	2019 \$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.

	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>
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
<b>Market value at 31 December</b>	<b>121,336</b>	<b>120,553</b>
<b>Historical cost:</b>		
At 31 December	<b>94,483</b>	<b>99,520</b>

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

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

<b>Represented by:</b>	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>
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
	<b>121,336</b>	<b>120,553</b>

**Measurement of fair values:**

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

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

No level 3 investments were held by the charity at 31 December 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		
	Level 1	Level 2	Total
	\$000	\$000	\$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		
	Level 1	Level 2	Total
	\$000	\$000	\$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**

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

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 \$000	2019 \$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.