

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.

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 noncompliance 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	
		2022	2021
	Notes	\$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			56,276		(179)
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			116,823		133,980
Funds					
Unrestricted charitable funds			116,823		133,980
Total funds			116,823		133,980

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 \$000	2021 \$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 \$000	2021 \$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
	286	299

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 \$000	2021 \$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		
	Level 1	Level 2	Total
	\$000	\$000	\$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		
	Level 1	Level 2	Total
	\$000	\$000	\$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	2021
	\$000	\$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.