

Charity Registration No. 1112813

Company Registration No. 05514908 (England and Wales)

THE POTANIN FOUNDATION

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

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CHARITY INFORMATION, TRUSTEES AND ADVISORS

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

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

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

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

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

The financial statements have been prepared in accordance the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102, effective 1 January 2019).

Constitution

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

Objectives and activities

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

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

The Charity carried out its objectives by awarding grants principally to support the programmes of the Vladimir Potanin Foundation (VPF) or to beneficiaries with similar charitable objectives as the VPF. However, in August 2021, the Trustees and the VPF agreed to terminate the Grant Agreement.

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

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

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

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

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

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

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

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

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

Financial review

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

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

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

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

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

Risk management and internal control

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

The main risks identified are market risk and credit.

Market risk

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

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

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

Credit risk

Credit risk is the risk of loss as a result of a failure of a counterparty to meet obligations as they fall due. The charity's principal financial assets are investments and cash at bank.

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

Geopolitical

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

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

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

Structure, governance and management

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

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

Appointment of Trustees

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

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

Public benefit

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

Fundraising

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

Grant making policy

No grants were made in either 2022 or 2023.

Reserves policy

The charity's policy is to maintain an adequate level of resources to support its future activities, such as grantmaking, capital investment and the financing of its operations. Funds held represent general unrestricted funds which were expendable at the discretion of the Trustees in the furtherance of the charity's objectives prior to the Interim Manager appointment. The Interim Manager has made no grants in light of the significant fall in the value of investments in 2022 and the ongoing uncertainty in respect of the outcome of the challenge by the Founder to the actions taken by the Charity Commission.

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

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

Going concern

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

The Interim Manager considers that the charity will be able to continue in operation and meet its liabilities as they fall due for at least twelve months from the date of signing of this report. For this reason, the going concern basis in preparing the financial statements continues to be adopted.

Investment policy and performance

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

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

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF DISCLOSURE TO AUDITOR

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

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

AUDITOR

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

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

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

This report was approved and signed by the Interim Manager.



Guy Hollander
Interim Manager

Date: 01/08/2024

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of 'The Potanin Foundation' (the 'charitable company') for the year ended 31 December 2023 which comprise the Statement of financial activities (incorporating an Income and Expenditure Account), balance sheet, the statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at 31st December 2023, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other

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

information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 9, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Use of our report

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



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

Date: 01 August 2024

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

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

All items within the above Statement of Financial Activities relate to continuing operations. There are no other gains or losses other than stated above.

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

BALANCE SHEET AS AT 31 DECEMBER 2023

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

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

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

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



Guy Hollander
Interim manager

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

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

Reconciliation of net income to cash flows from operating activities

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

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

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

(continued)

1. Accounting policies

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

1.1 Basis of preparation

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

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

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

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

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

1.2 Going concern

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

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

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

1.3 Fund accounting

The charity holds only unrestricted funds.

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

1.4 Income recognition

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

1.4 (a) Investment income

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

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

(continued)

1.5 Expenditure recognition

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

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

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

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

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

Irrecoverable VAT is charged as a cost.

1.6 Allocation of support costs

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

1.7 Taxation

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

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

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

1.8 Basic financial instruments

Investments

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

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

(continued)

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

Cash at bank and in hand

Cash at bank and in hand includes cash and short term highly liquid cash deposits.

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

Debtors and creditors

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

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

1.9 Other financial instruments - financial instruments not considered to be 'Basic financial instruments'

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

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

1.10 Significant estimates and judgements

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

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

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

(continued)

2. Income from Investments

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

3. Costs of charitable activities

Support and governance costs:

	2023	2022
	\$000	\$000
Interim managers fees	50	89
Legal fees	3	-
Late filing fee	1	-
Auditors remunerations	54	41
	108	130

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

4. Trustees and related party transactions

None of the Trustees was reimbursed for expenses or received any remuneration in the current or previous financial year, nor were any expenses paid on their behalf (2022: none).

5. Employees

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

6. Fixed asset investments

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

The investment assets (including cash held for investment purposes) are held with the overall intention of retaining them for the long-term (namely, as fixed assets) for the continuing benefit of the charity in the form of income and capital appreciation.

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

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

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

(continued)

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

Represented by:

Fixed income:

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

Equities:

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

Other:

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

Measurement of fair values:

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

Level 1: The quoted price for an identical asset in an active market.

Level 2: When quoted prices are unavailable, the fair value is taken as the price of a recent transaction for an identical asset, or is derived from market data.

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

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

(continued)

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

	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
Total	60,479	68	60,547

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

7. Debtors

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

8. Cash at bank and in hand

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

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

(continued)

9. Creditors: amounts falling due within one year

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

10. Analysis of net assets funds

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

11. Net cash flow from investing activities

The cash flows in respect of investing activities represent cash withdrawn from or introduced to the charity's investment portfolio, which is managed on a discretionary basis by the charity's investment manager. As described in note 6, cash within the investment portfolios is held for investment purposes and is treated as fixed asset investments. Thus, cash movements in respect of investment additions and disposals within the investment portfolios do not generate a cash flow in respect of the charity's overall level of financial investment.

12. Share Capital

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

13. Ultimate Controlling Party

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