

The Lancashire Foundation

Financial Statements and Trustees' Report

for the year ended 31 December 2022

Registered Charity in England and Wales number 1149184

The Lancashire Foundation

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The Lancashire Foundation

Reference and Administrative Details of the Lancashire Foundation

Trustees

Louise Wells (Chair) (appointed 1 November 2017)
Derek Stapley (appointed 1 December 2014)
Emma Grimes (appointed 29 March 2018)
Robert Kennedy (appointed 5 March 2022)

Registered Office

29th Floor
20 Fenchurch Street
London
EC3M 3BY

Banker

HSBC Bank Plc
2nd Floor
62-76 Park Street
London
SE1 9DZ

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Solicitor

Bates Wells Braithwaite London LLP
2-6 Cannon Street
London
EC4M 6YH

Investment adviser

Amber River Premier
Swan House
Liston Road
Marlow
Buckinghamshire
SL7 1DP

Registered Charity in England and Wales Number 1149184

The Lancashire Foundation

Trustees' report for the year ended 31 December 2022

Report of the trustees for the year ended 31 December 2022

The trustees present their report and the audited financial statements of The Lancashire Foundation ("the Charity") for the year ended 31 December 2022. The financial statements have been prepared in accordance with the accounting policies set out in Notes 2 and 3 to the accounts and comply with the Charity's Trust Deed, the Charities Act 2011, the Statement of Recommended Practice: Accounting and Reporting by Charities published in 2017 and Amendments to FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Structure, Governance and Management

Governing Document

The Charity is structured as a charitable trust governed by a Trust Deed dated 27 September 2012 and is a charity registered by the Charity Commission, number 1149184, operating from the registered office shown on page 3.

Organisation

The Charity is managed by the trustees who hold quarterly meetings.

Decisions are taken at meetings when a quorum of at least one third of the number of trustees or two trustees, whichever is greater, are present.

Decisions may also be taken without a meeting on a unanimous basis through written resolution or other communication between the trustees.

The day to day management of the affairs of the charity has been delegated to the Donations Committee ("the Committee").

The role and activity of the Committee can be summarised as follows:

- To receive and analyse requests for donations from charitable bodies and where appropriate recommend to the trustees that a donation be made;
- To seek to build relationships with those charities that the Foundation supports and through developing strong and long-term relationships be able to provide assurance that the Foundation's funds are spent in a manner that leads to their effective use; and
- To support the Foundation in achieving its purpose through its core aims and objectives.

For the year ended 31 December 2022, the following trustees were members of the Committee:

Emma Grimes

Other members of the Committee for the year ended 31 December 2022 were as follows:

Jennifer Wilson (Chair)
Mark Carvalho

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Kelly Turner
Nick Nebard
Nancy Da Silva
Minnie Beagley
Jayne King (appointed 15 November 2022)
Kate Parker (appointed 21 March 2023)

The composition of the Committee is reviewed from time to time by the trustees in order to make such changes as are necessary to ensure that it remains reflective of and responsive to the needs of the Charity.

Appointment of trustees

The founder of the Charity, Lancashire Holdings Limited (“the Founder”), may appoint new or additional trustees by deed provided that if the number of trustees falls to less than three and the Founder fails to appoint new trustee(s) within six months thereof, the remaining trustees may appoint new or additional trustees by written resolution so as to bring the number up to three.

The trustees who have served during the year are set out on page 3. The number of trustees shall not be permitted to fall below three.

All trustees give of their time freely and no trustee may receive any remuneration or other benefit in money or money’s worth from the Charity.

On appointment, all new trustees receive information and training as appropriate to ensure that they are familiar with all aspects of the Charity including its finances, future plans and objectives.

Risk management

The trustees have, within the year under review, assessed the risks that the Charity faces and can confirm that systems are in place to minimise those risks. The trustees will continue to monitor and re-consider the risks the Charity is exposed to during the coming year.

The principal uncertainty facing the Charity is the level of future income. Due to the discretionary and annual nature of donations made by the Charity and its strong financial position the trustees believe that this can be effectively managed.

The Foundation received a donation of £184,348 from the Founder during 2022 (2021: £180,288)

Objectives and Activities

The Charity and its Trust Fund are administered and managed by the trustees. The objects of the Charity are to hold the Trust Fund and its income upon trust and to apply them for all purposes which are exclusively charitable under the laws of England and Wales from time to time by the making of grants to any individual, group, organisation or institution in the United Kingdom, Bermuda and worldwide.

The Charity is committed to channelling its resources in an effective way to meet community needs, particularly focussed on helping the severely disadvantaged in society.

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The Charity's strategy is to provide grants to charities or organisations whose work reflects and is aligned to the values and interests of the people and businesses within the Lancashire group of insurers. In certain cases, these grants may be renewed for a number of years, subject always to an annual review of the proposed grant at the discretion of the Charity.

The Charity also invites applications for grants from members of staff of The Lancashire Group to charities with which they have an interest or involvement.

The trustees review the success of the Charity's activities through:

- analysis of levels of staff engagement with charities including the amount of "matching donations" made by the Charity;
- analysis of the allocation of donations to different types of charities;
- analysis of the performance of the underlying charities; and
- assessing the impact of the Charity's funding on the outcome and success measures used by each recipient organisation.

Reserves policy

The trustees have assessed the availability of resources to provide ongoing support to the majority of the charitable organisations currently supported based on the level of funds held, anticipated investment income and future donations from the Founder and are satisfied that sufficient reserves are held.

Restricted Funds

At 31 December 2022 the Charity held restricted funds of £Nil (2021: £4,175) in relation to staff fundraising for Project Transform. See note 11 for further details.

Public benefit

The Charity is a public benefit entity and the trustees have paid due regard to the public benefit guidance published by the Charities Commission.

Investment policy

The Charity holds shares in the Founder which it received when exercising share warrants gifted by the Founder. The policy of the Charity is to hold these shares to receive dividend income to fund donations and to sell shares if required to provide additional cash.

The Charity has also holds a diversified portfolio of investment funds which is managed by a third-party provider. The performance of the funds is regularly monitored by the trustees. When considering potential funds to be held in the portfolio criteria around social responsibility are applied with the aim of selecting ethical and sustainable investments.

Cash balances are held in liquidity funds, term deposit and interest-bearing current accounts.

Achievements and Performance

The trustees have considered each application made to the Charity.

During the year the Charity distributed £498,726 (2021: £515,773) to 60 (2021: 57) charities. £40,000 (2021: £146,888) of this amount was distributed to 22 (2021: 36) charities as part of a staff initiative whereby staff could apply for a donation of up to £2,000 (2021: £4,000) for their nominated charity.

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The 10 largest donations during 2022 were to The Family Centre, HOME, International Red Cross: Ukraine appeal, St Giles Trust, UNICEF: Ukraine appeal, Bermuda Autism Support "Tomorrow's Voices", International Care Ministries (Philippines), Cancer Research, Friends of Essex and London homeless and Action on Alzheimer's and dementia.

During the year, the Charity matched individual employee fundraising up to a limit of £2,000, resulting in donations of £7,600 (2021: £4,888).

Details of grants made can be found in the notes to the financial statements. The trustees ensure that grants are made in accordance with the Charity's objectives.

The level of the annual donation from the Founder is dependent on its results for the year and the circumstances of the Charity. During 2022 the Charity received a donation from the Founder of £184,348 (2021: £180,288).

Financial Review

During 2022 the Charity received donations of £184,348 (2021: £180,421) including a donation from the Founder of £184,348 (2021: £180,288). The Charity also received investment income of £18,295 (2021: £16,220) giving total incoming resources of £203,273 (2021: £196,641).

During the year donations of £498,726 were made (2021: £515,773) and an allocation of the cost of the Lancashire Group graduate internship scheme of £Nil (2021: £18,013) was incurred from Lancashire Insurance Services Limited ("LISL"). After including governance costs of £13,137 (2021: £12,852), a loan impairment charge of £2,559 (2021: impairment of £2,327) and foreign exchange gain of £11,556 (2021: loss of £925) total resources expended were £502,866 (2021: £549,890).

Taking into account a loss on the revaluation of investments of £46,358 (2021: loss of £145,787) total funds reduced in 2022 by £345,951 (2021: reduction of £499,036).

At 31 December 2022, the Charity had net assets of £1,586,526 (31 December 2021: £1,932,477).

Related parties

As noted above, the Founder at its discretion has the power to provide donations to the Charity and has the power to appoint trustees. The Charity holds an investment in the shares of the Founder.

The Founder and the Charity have jointly sponsored an internship programme for Bermuda resident college graduates and the Charity was allocated costs of £Nil during 2022 (2021: £18,013). The total allocation to date of £179,152 was payable to LISL at 31 December 2022 (2021: £179,152). This scheme came to an end during 2021 and therefore no further costs are expected to be incurred.

Future Plans

The Charity will continue to encourage staff to take part in charitable activities, often by matching sums raised, or by direct grants to charities or organisations in which staff have an interest or involvement. The trustees encourage involvement from staff in the charities or organisations supported by the Charity.

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The charity will also make funds available to support the wider ESG initiatives that the Founder has committed to with a focus on supporting social causes.

The Charity Governance code

The trustees have considered the principles of the Charity Governance Code and applied these to the operation of the charity as follows:

1. Organisational purpose

The trustees are clear about the Charity's aims which are described in the object and activities section above and ensure that these are being delivered effectively and sustainably.

2. Leadership

The Charity is led by the trustees who provide strategic leadership in line with the Charity's aims and values.

3. Integrity

The trustees act with integrity, adopting values and creating a culture which helps to achieve the organisation's charitable purposes. The trustees are aware of the importance of the public's confidence and trust in charities, and the trustees undertake their duties accordingly.

4. Decision-making, risk and control

The trustees make sure that their decision-making processes are informed, rigorous and timely and that effective control and risk assessment and management systems are set up and monitored.

5. Trustee effectiveness

The trustees work as an effective team, using the appropriate balance of skills, experience, backgrounds and knowledge to make informed decisions.

6. Diversity

The trustees are committed to embracing diversity to support the effectiveness, leadership and decision-making within the Charity.

7. Openness and accountability

The trustees manage the organisation in a transparent and accountable way.

Statement of disclosure of information to auditor

The trustees who held office at the date of approval of this trustees' report confirm that, so far as they are each aware, there is no relevant audit information of which the Charity's auditor is unaware and each trustee has taken all the steps they ought to have taken as a trustee to make themselves aware of any relevant audit information and to establish that the Charity's auditor is aware of that information.

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Statement of trustees' responsibilities in respect of the trustees' report and the financial statements

Under the trust deed of the Charity and charity law, the trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations. The trustees are required to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the Charity and of the incoming resources and application of resources for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the trust deed, subject to any material departures disclosed and explained in the financial statements;
- assess the Charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Charity or to cease operations or have no realistic alternative but to do so.

The trustees are required to act in accordance with the trust deed of the Charity, within the framework of trust law. They are responsible for keeping accounting records which are sufficient to show and explain the charity's transactions and disclose at any time, with reasonable accuracy, the financial position of the Charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision.

They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Charity and to prevent and detect fraud and other irregularities.

Approved by the trustees and signed on their behalf by:



Louise Wells
Trustee
3rd August 2023

The Lancashire Foundation

Independent auditor's report to the Trustees of The Lancashire Foundation

Opinion

We have audited the financial statements of The Lancashire Foundation ("the charity") for the year ended 31 December 2022 which comprise the Statement of Financial Activities, the Statement of Financial Position, Cash Flow Statement and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2022 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We have been appointed as auditor under section 145 of the Charities Act 2011 (or its predecessors) and report in accordance with regulations made under section 154 of that Act.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the charity in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustees have prepared the financial statements on the going concern basis as they do not intend to liquidate the Charity or to cease its operations, and as they have concluded that the Charity's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustees' conclusions, we considered the inherent risks to the Charity's business model and analysed how those risks might affect the Charity's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustees' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Charity's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Charity will continue in operation.

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Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”), we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management, as to the Charity’s high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Trustees’ and donation committee meetings minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management or individuals who do not frequently post journals, those posted with descriptions containing key words or phrases, those posted to unusual accounts.

On this audit we do not believe there is a fraud risk related to revenue recognition because the Charity has simple revenue streams with limited complexity around revenue recognition.

We did not identify any additional fraud risks.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustees and other management (as required by auditing standards), and discussed with the Trustees and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Charity is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including the Charities SORP) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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Secondly, the Charity is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery and certain aspects of charity legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the trustees and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustees are responsible for the other information, which comprises the Trustees' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements.

We have nothing to report in these respects.

Matters on which we are required to report by exception

Under the Charities Act 2011 we are required to report to you if, in our opinion:

- the Charity has not kept sufficient accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

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Trustees' responsibilities

As explained more fully in their statement set out on page 9, the trustees are responsible for: the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Charity'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 they either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the charity's trustees as a body, in accordance with section 145 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees 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 charity and its trustees, as a body, for our audit work, for this report, or for the opinions we have formed.



Rajan Thakrar
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square
London
E14 5GL

3rd August 2023

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

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Statement of financial activities for the year ended 31 December 2022

	<u>Note</u>	<u>Unrestricted funds</u> £	<u>Restricted funds</u> £	<u>2022 Total funds</u> £	<u>2021 Total funds</u> £
Income from					
Donations	5	184,348	-	184,348	180,421
Investments	9	18,925	-	18,925	16,220
Total income		<u>203,273</u>	<u>-</u>	<u>203,273</u>	<u>196,641</u>
Expenditure on					
Charitable activities	6	(497,110)	(4,175)	(501,285)	(536,113)
Governance costs	7	(13,137)	-	(13,137)	(12,852)
Unrealised and realised foreign exchange gains (losses)		<u>11,556</u>	<u>-</u>	<u>11,556</u>	<u>(925)</u>
Total expenditure		<u>(498,691)</u>	<u>(4,175)</u>	<u>(502,866)</u>	<u>(549,890)</u>
Net (outgoing) incoming resources before other recognised gains and losses		(295,418)	(4,175)	(299,593)	(353,249)
Other recognised gains/ (losses)					
(Loss) gain on revaluation of investments	9	<u>(46,358)</u>	<u>-</u>	<u>(46,358)</u>	<u>(145,787)</u>
Net movement in funds		<u>(341,776)</u>	<u>(4,175)</u>	<u>(345,951)</u>	<u>(499,036)</u>
Fund balance brought forward		<u>1,928,302</u>	<u>4,175</u>	<u>1,932,477</u>	<u>2,431,513</u>
Fund balance carried forward		<u>1,586,526</u>	<u>-</u>	<u>1,586,526</u>	<u>1,932,477</u>
All operations are continuing.					

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Statement of financial position as at 31 December 2022

	<u>Note</u>	<u>2022</u> £	<u>2021</u> £
Assets			
Fixed assets			
Concessionary loan	8	7,260	9,924
Total fixed assets		<u>7,260</u>	<u>9,924</u>
Current assets			
Investments	9	1,740,720	2,083,904
Cash and cash equivalents		49,889	29,801
Total current assets		<u>1,790,609</u>	<u>2,113,705</u>
Liabilities			
Current liabilities			
Creditors	10	211,343	191,152
Total current liabilities		<u>211,343</u>	<u>191,152</u>
Net current assets		<u>1,579,266</u>	<u>1,922,553</u>
Net assets		<u>1,586,526</u>	<u>1,932,477</u>
Funds			
Unrestricted		1,586,526	1,928,302
Restricted	11	-	4,175
Total funds		<u>1,586,526</u>	<u>1,932,477</u>

Approved by the trustees on 3rd August 2023 and signed on their behalf by:



.....
Louise Wells
Trustee

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Cash flow statement for the year ended 31 December 2022

	<u>2022</u> £	<u>2021</u> £
Cash flows from operating activities:		
Net cash (used in) / provided by operating activities	(306,029)	(355,987)
Cash flows from investing activities:		
Dividends and interest from investments	18,925	21,641
Sale of investments	296,825	-
Net cash provided by / (used in) investment activities	315,750	21,641
Change in cash and cash equivalents in year	9,721	(334,346)
Cash at the beginning of year	29,801	365,038
Change in cash due to exchange rate movements	10,367	(891)
Cash at bank at end of year	49,889	29,801
	<u>2022</u> £	<u>2021</u> £
Net incoming (outgoing) resources (as per the statement of financial activities)	(299,593)	(353,249)
Adjustments for:		
Dividends and interest from investments	(18,925)	(16,220)
Increase/ (Decrease) in creditors	20,191	(3,994)
Decrease in Concessionary loan	3,853	16,594
Revaluation adjustments	(11,555)	882
Net cash (used in) / provided by operating activities	(306,029)	(355,987)
Analysis of cash and cash equivalents		
	<u>2022</u> £	<u>2021</u> £
Cash at bank	1,667	27,717
Notice deposits	48,222	2,084
Total cash and cash equivalents	49,889	29,801

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Notes to the financial statements

1. Statement of compliance

The Charity is a charitable trust. The financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements for the year ended 31 December 2022.

2. Basis of preparation and accounting

Basis of preparation

The financial statements are prepared on a going concern basis. The trustees believe the going concern assumption to be appropriate as the trustees have sufficient unrestricted funds available for the ongoing use and continuing benefit of the Charity and its objectives. The Trustees are satisfied that the level and diversification of reserves held is sufficient to mitigate the related risks and have concluded that there are no material uncertainties that could cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

The key factors considered are that the Charity has a strong balance sheet with sufficient net assets and no significant ongoing contractual obligations. The vast majority of the net assets held by the Charity are highly liquid and can be readily sold if required. The trustees have analysed the latest available information in relation to the net assets when assessing the impact on going concern and the fact that donation income for the year 2023 from the founder has already been approved and paid by the founder. In addition, all outgoing donations and charitable activities are fully at the discretion of the Charity and can be withheld if needed as such there are no long-term commitments in relation to the outgoing donations. As a result of these factors, the Trustees expect that the Charity has adequate reserves to continue its operations for a period of at least 12 months from the date that the financial statements are approved.

Presentation currency

The financial statements are presented in Pounds Sterling which is the functional currency of the Charity.

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions, or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities denominated in foreign currencies are translated at year end exchange rates. The resulting exchange differences on translation are recorded in the statement of financial activities.

Basis of accounting

The financial statements have been prepared under the accruals concept and provide information that is relevant, reliable, comparable and understandable.

3. Significant accounting policies

- a) The accounts are prepared under the historic cost convention as modified by the revaluation of investments, and are drawn up in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" published in 2017 and applicable United Kingdom accounting standards.
- b) Shares are initially recognised at cost. They are subsequently recorded at fair value. Any gain or loss on revaluation is taken to the statement of financial activities.

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- c) Voluntary income is recognised in the statement of financial activities when:
 - The Charity becomes entitled to it;
 - The trustees are reasonably certain they will receive it; and
 - The trustees are reasonably certain that the value can be reliably measured.
- d) Investment income is accounted for in the year which the Charity is entitled to receipt.
- e) Grants payable are accounted for as soon as committed.
- f) Grants payable are recognised when donations are approved by the donations committee and trustees.
- g) Due to the ongoing financial support of the Charity by the Founder, there are no costs incurred in relation to generating funds.
- h) Governance costs comprise of audit fees and bank charges and are accounted for on an accruals basis. These are allocated to unrestricted funds.
- i) Restricted funds in relation to "Project Transform" are those which must be applied in accordance with the purpose for which they were raised.
- j) Unrestricted funds comprise those funds which the trustees are free to use for any purpose in the furtherance of the charitable objectives.
- k) Where the donations committee and trustees allocate unrestricted funds to a restricted purpose such as "Project Transform" then the relevant funds are transferred from unrestricted to restricted funds.
- l) Concessionary loans are recorded at the amount paid, with the carrying amount adjusted to allow for potential impairment due to non-payment.

4. Taxation

The Charity 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 trust for UK income tax purposes. Accordingly, the Charity is potentially exempt from taxation in respect of income or capital gains received with categories covered by Part 10 Income Tax Act 2007 or Section 356 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

5. Donations received

	<u>2022</u>	<u>2021</u>
	<u>£</u>	<u>£</u>
Donation from Lancashire Holdings Limited	184,348	180,288
Donations to Project Transform appeal (note 11)	-	133
	<u>184,348</u>	<u>180,421</u>

6. Charitable activities

	<u>2022</u>	<u>2021</u>
	<u>£</u>	<u>£</u>
Grants to institutions made in the year	498,726	515,773
Adjustment to provision for potential loss on concessionary loan (see note 8)	2,559	2,327
Graduate scheme costs	-	18,013
	<u>501,285</u>	<u>536,113</u>

Appendix 1 lists all grants made during the year.

No charge is made for the trustees' services nor are the trustees reimbursed by the Charity for any costs they may incur. There are no other staff costs and the Charity does not employ any staff.

The Lancashire Foundation

The Founder and the Charity have jointly sponsored an internship programme for Bermuda resident college graduates and the Charity received an allocation of costs of £Nil during 2022 (2021: £18,013). This has resulted in the amount due to Lancashire Insurance Services Limited at 31 December 2022 of £179,152 (2021: £179,152).

7. Governance costs

	<u>2022</u> £	<u>2021</u> £
Audit fee	12,000	12,000
Bank charges	1,137	852
	<u>13,137</u>	<u>12,852</u>

8. Concessionary loan

	Concessionary loan £	Impairment provision £	Net balance £
Balance at 31 December 2020	138,306	(111,804)	26,502
Loan repayment	(14,267)	-	(14,267)
Adjustment to impairment provision (note 6)		(2,327)	(2,327)
Revaluation adjustments	<u>657</u>	<u>(641)</u>	<u>16</u>
Balance at 31 December 2021	124,696	(114,772)	9,924
Loan repayment	(1,294)		(1,294)
Adjustment to impairment provision (note 6)		(2,559)	(2,559)
Revaluation adjustments	<u>15,036</u>	<u>(13,847)</u>	<u>1,189</u>
Balance at 31 December 2022	<u>138,438</u>	<u>(131,178)</u>	<u>7,260</u>

During 2014 the Charity entered into a concessionary loan agreement with Kiva, a non-profit organisation, which provides small loans to small businesses in the developing world through partnerships with a number of micro-finance organisations.

Under the terms of the agreement \$855,000 (£670,378) was loaned for a minimum period of 2 years from 8 July 2014 to enable matching loans to be made to small businesses in developing countries.

During 2016 Kiva repaid \$284,992 (£208,990) and the term of the remaining loan of \$570,008 (£462,594) was extended to 31 December 2017.

During 2017 Kiva agreed to repay \$200,000 (£147,962) as underlying loans were repaid and the term of the remaining loan of \$370,008 (£273,735) was extended to 30 June 2019.

The Lancashire Foundation

As the term of the remaining loan facility expired on 30th June 2019, Kiva has now stopped lending funds and are repaying the outstanding balance to the Charity in quarterly instalments when funds are received from borrowers.

There is no interest payable on the amount loaned.

Due to uncertainty around the recoverability of the underlying loans, a provision for impairment of £131,178 (2021: £114,772) is held against the carrying amount of the loan.

As the concessionary loan and provision for potential loss are denominated in United States Dollars, they have been revalued at the closing exchange rate. These revaluation adjustments have been included in the "Unrealised and realised foreign exchange gains (losses)" line in the statement of financial activities.

9. Investments

The Charity holds the following investments:

	<u>2022</u>	<u>2021</u>
	£	£
Lancashire Holdings Limited shares	922,564	752,245
Externally managed investment funds	818,156	1,331,659
	<u>1,740,720</u>	<u>2,083,904</u>

Lancashire Holdings Limited shares

At 31 December 2022, the Charity held 141,933 (2021: 141,933) common shares in Lancashire Holdings Limited which are listed on the London stock exchange. These have been recorded at fair value based on the closing share price on 31 December 2022 and 31 December 2021.

No shares were sold during 2022.

Externally managed investment funds

During 2020, the Charity implemented a plan to diversify investments held and placed £1,000,000 in a portfolio of investment funds which is managed by a third-party provider. These have been recorded at fair value based on the closing fund price on 31 December 2022 and 31 December 2021.

During 2022, a withdrawal of £296,825 was made from the externally held investment funds.

The funds held in the portfolio are summarised by type as follows:

	<u>2022</u>	<u>2021</u>
	£	£
Global equity	273,515	528,131
Flexible allocation	193,140	354,864
UK equity	143,348	102,387
UK bond	122,713	299,125
Global bond	56,372	-
Asia-Pacific equity	24,315	42,399
Cash	4,753	4,753
	<u>818,156</u>	<u>1,331,659</u>

The Lancashire Foundation

At 31 December 2022, the externally managed portfolio included investments in 16 funds (2021: 20). None of the individual funds held represented more than 10% of the total value of portfolio.

Investment income included the following:

	<u>2022</u>	<u>2021</u>
	<u>£</u>	<u>£</u>
Dividend income on Lancashire Holdings Limited shares	17,485	15,304
Bank interest	1,440	916
	<u>18,925</u>	<u>16,220</u>

The Gain (loss) on revaluation of investments included the following:

	<u>2022</u>	<u>2021</u>
	<u>£</u>	<u>£</u>
Lancashire Holdings Limited shares	170,319	(274,640)
Externally managed investment funds	(216,677)	128,853
	<u>(46,358)</u>	<u>(145,787)</u>

10. Creditors

	<u>2022</u>	<u>2021</u>
	<u>£</u>	<u>£</u>
Accrued expenses	24,000	12,000
Accrual in relation to donations for the year	8,191	-
Amount payable to Lancashire Insurance Services Limited (see note 13)	179,152	179,152
	<u>211,343</u>	<u>191,152</u>

11. Restricted funds

From 2010 to 2019, six to eight employees from across the Lancashire Group of Companies volunteered for Project Transform and travelled to the Philippines to work alongside International Care Ministries (Philippines) for a week providing aid and support to those living in extreme poverty.

It was not possible to arrange a Project Transform trip for 2020 or 2021 due to the restrictions on travel as a result of the Coronavirus pandemic. In 2019 £4,450 was raised from donations made by Lancashire employees in relation to Project Transform, for the benefit of the partner charity International Care Ministries (Philippines) ("ICM"). During 2020 the £4,450 raised in 2019 was donated to the partner charity and since no trip was planned for 2021 there was no fundraising activity during the year.

Restricted funds were held in a separate bank account. The remaining balance of £4,175 was transferred to ICM during 2022 leaving a balance at 31 December 2022 of £ Nil (2021: £4,175).

12. Related parties

During the year the Charity received a donation from Lancashire Holdings Limited of £184,348 (2021: £180,288) and investment income of £18,925 (2021: £15,304) from the Charity's holding of shares in Lancashire Holdings Limited.

The Lancashire Foundation

There were no sales of Lancashire Holdings Limited shares during the year (refer to note 9 for further details).

There were no amounts due to or from Lancashire Holdings Limited at 31 December 2022.

The Founder and the Charity have jointly sponsored an internship programme for Bermuda resident college graduates. The scheme came to an end during 2022 and the Charity did not receive an allocation of costs 2022 (2021: £18,013). The related amounts have not yet been paid by the Charity and £179,152 was due to Lancashire Insurance Services Limited at 31 December 2022 (2021: £179,152).

Derek Stapley and Robert Kennedy who are trustees of the Charity are also Trustees of Malawi Community Hubs. During the year the Charity donated £4,250 (2021: £8,500) to Malawi Community Hubs.

Robert Kennedy who is a trustee of the Charity is married to an employee of WeSeeHope. During the year the Charity donated £Nil (2021: £5,821) to WeSeeHope.

13. Subsequent events

The Founder has approved and paid a donation to the Charity of \$250,000 for 2023 which will enable it to continue to meet its objectives in that year by supporting new and existing charities.

The Lancashire Foundation

Appendix 1: Grants to Institutions

	<u>2022</u>	<u>2021</u>
	<u>£</u>	<u>£</u>
The Family Centre	45,000	60,000
HOME	42,817	-
International Red Cross: Ukraine appeal	39,720	-
St Giles Trust	33,600	40,000
UNICEF Ukraine appeal	33,066	-
Bermuda Autism Support "Tomorrow's Voices"	30,000	40,000
International Care Ministries (Philippines)	34,174	40,000
Cancer Research	32,000	25,000
Friends of Essex and London homeless	21,954	-
Action on Alzheimer's and dementia	20,000	-
Bloody Good Period	10,000	-
Adult Education School	10,000	-
London Air Ambulance	10,000	10,000
Hospice UK	10,000	-
The B.I.G. Foundation	6,000	6,000
Knowledge Quest	5,500	11,000
Ukraine refugee support	5,420	-
Magic Breakfast	5,000	-
Windreach Bermuda	5,000	10,000
Victor Scott Primary School	5,000	6,000
The Poppy Factory	5,000	10,000
Malawi Community Hubs	4,250	8,500
Youth Centres Calgary	4,000	-
Young Lives vs Cancer	4,000	-
The Stroke Association	4,000	-
The Neil Burnie Foundation	4,000	-
Bermuda Rugby Football Union	4,000	-
Bobby's Big heart	4,000	-
Bermuda Cancer Centre	3,864	-
Warwick Academy Outreach Programme	3,750	7,500
Medical detection dogs	2,500	5,000
Toby's Fund	2,500	-
Mission Aviation Fellowship	2,500	5,000
Care for children	2,500	-
Ovarian Cancer Action	2,000	-
All Saints School	2,000	-
Circadian Trust	2,000	-
Spinal Cure Australia	2,000	-
James Roberts Trust	2,000	-
Roots International Street Team	2,000	-
Bermuda Education Network	2,000	-
Mercy Ships	2,000	-
Meals on Wheels	2,000	-
H-ABC	2,000	-
The Psoriasis Association	2,000	-

The Lancashire Foundation

Appendix 1: Grants to Institutions

	<u>2022</u>	<u>2021</u>
	<u>£</u>	<u>£</u>
Outward Bound	2,000	-
Matthew Wilson Multiple Myeloma fund	2,000	-
Children's Hospital Pyjamas	2,000	-
St Luke's Hospice	2,000	-
Sebby's Corner Charity	2,000	-
Help Rural Nepal	2,000	-
Sporting Chance	2,000	-
Brain Tumour Charity	2,000	-
Support Public Schools	2,000	-
Miscellaneous donations under £2,000	3,611	-
Médecins Sans Frontières	-	40,000
Kiva Microloans	-	20,000
Vauxhall City Farm	-	20,000
WeSeeHope	-	5,821
Bermuda Diabetes Association	-	5,067
Bermuda Hospitals Board	-	4,000
The Coalition For The Protection Of Children	-	4,000
Eliza Doolittle Society	-	4,000
Bermuda Society For The Prevention of Cruelty to Animals	-	4,000
Protection against stalking	-	4,000
Rise to Shine	-	4,000
Carers Choice	-	4,000
Lily Foundation	-	4,000
Roots and Shoots	-	4,000
Karuna Trust	-	4,000
Communita Cenacolo	-	4,000
Henry van Straubenzee Memorial Fund	-	4,000
Kids on Track	-	4,000
Bermuda Squash Racquets Association	-	4,000
Chipstead Valley Primary School	-	4,000
Flora Fund	-	4,000
Isabel Hospice	-	4,000
African Promise	-	4,000
ADARA Development	-	4,000
Alzheimer's Society	-	4,000
Toilet Twinning	-	4,000
St Joseph's Hospice	-	4,000
The Living Paintings Trust	-	4,000
St Luke's Hospice	-	4,000
Communi-tea	-	4,000
The Howard Partnership	-	4,000
Reengage	-	4,000
Anthony Nolen Trust	-	4,000
Friends of Columbus School	-	4,000
PCC of St James	-	4,000
Focus on Malawi	-	4,000
Bermuda Salvation Army	-	4,000

The Lancashire Foundation

Appendix 1: Grants to Institutions

	<u>2022</u>	<u>2021</u>
	<u>£</u>	<u>£</u>
Centre Against Abuse	-	4,000
Ace Africa	-	4,000
BTA Youth squad	-	2,885
MacMillan	-	2,000
Total Donations	<u>498,726</u>	<u>515,773</u>