

# PRUDENCE 'TRUST'

ANNUAL REPORT OF  
THE TRUSTEE AND  
FINANCIAL  
STATEMENTS

FOR THE YEAR TO  
31 DECEMBER 2020

(Registered Charity No. 1187700)

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# THE PRUDENCE TRUST

## ANNUAL REPORT OF THE TRUSTEE

### FOR THE YEAR TO 31 DECEMBER 2020

The Trustee Directors present their report and independently audited financial statements of The Prudence Trust ("the Trust"), for the year to 31 December 2020. These have been prepared in accordance with the accounting policies set out in note 1 and comply with applicable charity law.

#### 1. REFERENCE AND ADMINISTRATIVE DETAILS

The Prudence Trust, (registered charity number 1187700) is based and administered in the United Kingdom. The registered address is 16 Berkeley Street, London, W1J 8DZ.

##### Trustees:

The Trustees of the Trust who held office during the period and continue to serve at the date of this report are:

- Prudence MacLeod (appointed 20 May 2019, resigned 18 September 2020)
- Guy Elliott (appointed 20 May 2019, resigned 18 September 2020)
- Beatrice Hollond (appointed 20 May 2019, resigned 18 September 2020)
- Julia Samuel MBE (appointed 13 May 2020, resigned 18 September 2020)
- Peter Bennett-Jones CBE (appointed 13 May 2020, resigned 18 September 2020)
- The Prudence Trust Company Limited (appointed 18 September 2020)

The Trustees did not hold any beneficial interest in the fund at 31 December 2020 or at any time during or since that period.

##### Key Management:

The Directors of the Corporate Trustee ("Trustee Directors") who are in charge of directing and controlling the Foundation. Day to day operations of the Trust are delegated to the Director, Tara Leathers.

##### Trustee Directors:

The following persons act as Directors of the Trustee

- Prudence MacLeod (appointed 18 September 2020)
- Guy Elliott (appointed 18 September 2020)
- Beatrice Hollond (appointed 18 September 2020)
- Julia Samuel MBE (appointed 18 September 2020)
- Peter Bennett-Jones CBE (appointed 18 September 2020)

## 2.OBJECTIVES AND ACTIVITIES FOR THEPUBLIC BENEFIT

The objects of the Trust are restricted specifically to the application of Trust funds, at such time or times and in such manner, for the public benefit, as the Trustee Director may in their discretion think fit for any exclusively charitable purposes in any part of the world. The Charity operates as a grant-making charity, with a view to support charitable projects and organisations with grants of varying sizes and durations.

The Trustee Directors have defined a programme of grant-making to charities which will achieve one or more of the following:

- The advancement of mental health especially in the UK
- The advancement of the arts especially in the UK
- The relief of those in need because of youth, age, financial hardship or other disadvantage
- Any other general purpose that the Trustee Directors think fit

During 2020 the Trustee Directors refined the funding priorities for its first years of operation.

These are to:

- a) Provide greater support for young people suffering from mental ill health
- b) Advance a broader understanding of what mental health treatments and support work
- c) Connect people to their community and to the many benefits of creativity

The emphasis will be on young people in the UK aged 11-25 years, although this will not exclude support to other groups.

The Trustee Directors have pursued a broad strategy of ensuring proper due diligence in the assessment of potential grants and ensuring that grants are made subject to appropriate terms and conditions.

### Statement of Public Benefit

As a grant-funder, the Charity's activities will provide public benefit to the individuals and communities who are beneficiaries of the Charity's funded projects. The Charity's public benefit is not limited with reference to geography, by the charging of fees or otherwise. The Trustee Directors are aware of the Charity Commission guidance on Public Benefit and confirm that they have complied with the duty in Section 4 of the Charities Act 2011 to have due regard to it. They consider the information which follows in this annual report, about the Charity's aims, activities and achievements in the areas of interest that the Charity supports, demonstrates the benefit to its beneficiaries and through them to the public, that arise from those activities.

### Grant Making Policies

A preliminary grant making and social investment policy was put in place to guide the Trustee's decisions in achieving the charitable objectives. The Charity's Director refined the policy, and an updated version was presented to the Trustee Directors for consideration on 21 January 2021. The updated policy allows the Trustee Directors to properly select appropriate grantees and impose prudent terms on grants, including, as appropriate,

monitoring and evaluation of the way in which funds are applied by grantees. In the interim the Trustees' grant making policy was generally to consider making donations by way of direct funding and also by way of grants to charitable organisations recognised as such in their respective jurisdictions, for projects that are exclusively charitable under English law.

### 3. ACHIEVEMENT AND PERFORMANCE

#### Set-up and enabling activities

The main aims during the period were to:

- a) Establish the governance framework and to create the necessary policies – operational, administrative and finance – for the Charity
- b) Appoint an executive director
- c) Appoint professional advisers
- d) Appoint a panel of professional mental health advisers
- e) Award the Charity's first grants

During this period, the following was achieved:

#### Establish the governance framework and policies

As this was the Prudence Trust's first operational period, several processes and policies were written and approved by the Board of Trustees including:

- Financial controls (approved May 20)
- Investment policy (approved July 20)
- Anti-bribery policy (approved Dec 20)
- Conflicts policy (approved Dec 20)
- Data protection policy (approved Dec 20)
- Receipt of donations policy (approved Dec 20)
- Safeguarding policy (approved Dec 20)
- Grant-making policy (approved Jan 21)
- Risk framework (approved Jan 21)
- Directors' expenses policy (approved Jan 21)
- Reserves policy (approved Feb 21)

These policies together with the governing documents constitute the Charity's Operational Manual which will be further developed in the year ahead.

#### Appoint a Director

In order to start operating as a grant-maker, the charity interviewed and appointed a professional director to run the day-to-day operations. The director was selected based on their relevant skills, experience and knowledge and has been in post since June 2020.

### Appoint professional advisers

In establishing an appropriate governance and control framework for the Charity's funds, five professional adviser appointments were made through competition and selection interviews:

- The Trustee appointed Rawlinson & Hunter LLP as accountants to the Charity and that firm will examine the finances of the Charity
- The Trustee appointed Sayer Vincent as auditors to the Charity
- The Trustee appointed JTFM Investment Consulting to assist with the evaluation of investment managers
- The Trustee appointed CCLA Investment Management Ltd and Veritas Investment Partners Ltd as investment managers to oversee the investment of the assets of the charity
- The Trustee appointed Womble, Bond, Dickenson to act as legal advisers, in addition to the advice given by Taylor Wessing during the reporting period

### Appoint a panel of professional mental health advisers

The Charity formed a Mental Health Advisory Panel to advise the Trustee Directors on the most appropriate and effective ways of supporting people suffering from mental health. The Panel met twice in 2020. Members of the panel are:

- (Chair of the Panel) Professor Peter Fonagy Professor of Psychoanalysis and Developmental Science, University College London; Chief Executive of the Anna Freud Centre, London
- Wol Kolade, Managing Partner Livingbridge and Chair Guys & St Thomas' Charity
- Prof Eammon McCrory, Professor of Developmental Neuroscience and Psychopathology, UCL
- Bharat Mehta, Chief Executive, Trust for London (and former CEO RETHINK)
- Dr Sandeep Ranote, Paediatric Psychiatrist, NHS Medical Director, Greater Manchester Medical Exec Lead Mental Health
- Emma Quinn, Prince's Trust Ambassador
- Prof Sir Simon Wessely, Professor Psychological Medicine, Kings College

## Award the Charity's first grants

In 2020 the Charity considered a number of grants, both in response to the Covid-19 pandemic and also grants that would advance the Charity's funding priorities detailed in section 2. The total of grants awarded in 2020 was £434,000.

Grants were made to the following charities, all of which are registered charities:

<i>Covid-Response Grants</i>	
NSPCC which provides support for children suffering from abuse, including a 24-hour helpline for children and those who care for them	£25,000
The Trussell Trust which brings communities together to end hunger and poverty in the UK	£25,000
Oxfordshire Community Foundation which supports Oxfordshire's most disadvantaged people through community organisations	£25,000
The Silver Line Helpline which provides a free, confidential helpline to give information, friendship and advice to older people	£25,000
<i>Strategic Grants – Advancement of mental health</i>	
Core Arts, an arts school for those with moderate to severe mental health needs	£50,000
Place2Be which offers mental health support in schools for pupils as well as advice for parents and teachers, a grant for their secondary school programme	£50,000
The Listening Place which offers ongoing face-to-face support for those who feel life is no longer worth living	£25,000
Young Minds which provides information, advice and support for young people suffering from mental health worries, as well as their parents and teachers	£50,000
<i>Strategic Grants – Relief of those in need</i>	
Action on Addiction, where the Trust has made a grant for residential support for those suffering from addiction	£54,000
Into University which supports deprived communities through local learning centres which inspire young people to achieve, a grant for their East London Centres	£50,000
East London Cares which connects younger and older neighbours to help and support each other	£25,000
<i>Strategic Grants - Advancement of the arts</i>	
Soho Theatre for their new theatre project, the Walthamstow Granada, for the programme to engage the local community	£30,000

## 4. FINANCIAL REVIEW

The Statement of Financial Activities on page 15 shows total incoming resources for the period of £116,376,894 (2019: £199,628) and expenditure on charitable activities of £604,789 (2019: £nil). Direct charitable expenditure of £434,000 (2019: £nil) was incurred in the year by way of awarding grants. Governance costs amounted to £66,376 (2019: £nil) and are included within charitable activities. The balance of charitable activities comprised support costs totalling £104,413 (2019: £nil)

The Trustee Directors spent £216,337 (2019: £nil) on investment management fees. The balance of reserves at 31 December 2020 is £120,643,940 (2019: £1,660).

In June 2020 the Charity began the process of investing a total £110,038,750 across four portfolios held with CCLA Investment Management and Veritas Investment Partners (UK) Limited, with 80% of the funds going to CCLA and 20% of the funds going to Veritas.

The investment managers operate under a discretionary mandate with advice provided by JTFM Limited.

As at 31 December 2020 the funds held with CCLA Investment Management appreciated in value by 7.77% since inception on a time weighted return basis. The portfolio had also yielded income totalling £533,674.

Between inception and 31 December 2020 Veritas Investment Partners (UK) Limited appreciated in value by 5.27% on a time weighted return basis and returned income totalling £43,892.

As a benchmark, over the period since inception inflation plus 4.0% as measured by the UK Consumer Price Index ("CPI") totalled 3.3%, which both Veritas and CCLA outperformed.

The Trustee Directors have reviewed the performance of the portfolios and are satisfied with the returns to date.

### Reserves Policy and Going Concern

The Trustee Directors have examined the Charity's requirement for resources in light of the main risks to the organisation and have no outstanding commitments or cash demands which are not adequately covered by existing resources. The net assets of the Charity are regarded as free reserves and the funds at 31 December 2020 will be retained to make grants in accordance with the Charity's charitable objects and any policies. The Trustee Directors consider that the freely expendable funds are appropriate and adequate taking into account plans for grants to be awarded in future years. The Trustee Directors have agreed that at least £10m of reserves is held in cash and/or liquid investments that can be realised and their settlement proceeds are available within 5 business days.

The Covid-19 pandemic has created significant operational pressures on all charities. The Trust is in the position of having significant assets with expenditure requirements which are within control of the Trustee. The pandemic has not had a negative impact on the financial sustainability of the organisation and, therefore, the Trustee Directors consider the adoption of the going concern basis in preparing these financial statements continues to be appropriate.



## Investment Policy

The investment objective is to maintain and grow the real value of the assets and to generate stable, sustainable, distributable returns (capital and income), sufficient to at least maintain the purchasing power of those distributions.

The long-term total return objective is to achieve inflation as measured by UK Consumer Price Index ("CPI") plus 4.0% per annum to be measured over 5 year rolling periods.

## Remuneration Policy

The Trust aims to ensure that staff are paid appropriately according to the nature of the work and the experience, knowledge and skills needed to carry out their job.

The Trust aims to remunerate at a median level when benchmarked against similar organisations in the sector. The charity is committed to principles ensuring that pay and conditions of employment do not discriminate unlawfully and are free from bias.

The Trustees determine the salary for the Director, and seek to pay a fair salary to attract and retain a skilled and expert senior leader for the organisation taking into account the median range for similar organisations in the UK Charity sector. Trustees ensure that the Director's performance is reviewed and reported at least annually by the Chair of the Board of Trustees.

## 5. PLANS FOR THE FUTURE

The Trustees do not propose to deviate from the current objectives and activities of the Charity as detailed in Section 2 of this report but will further develop and refine their strategies, policies and procedures in future.

During 2020, activity has been focused on establishing the foundation of the Charity which is still in its infancy. During this next full year of operations, the Charity will be creating further operating processes for the organisation. This will be supported by recruiting a small team and further strengthening grant due diligence, grant monitoring, impact measurement procedures appropriate for the planned level of grants. A grants-management system will be introduced.

Trustees have prioritised further development of a strategy and deepening the Charity's knowledge of the issues it seeks to address through building connections and dialogue with organisations in each field. This, together with the advice of the Mental Health Advisory Panel, will mean that the Charity will be in a good position to build its grant-making capacity and accelerate grant-making.

There are three grant programmes planned – Small Grants, Partnership Grants and Major Grants. Trustees will prioritise funding areas and the executive will research potential recipients before making recommendations to the Trustee board across all grant programmes. There will not be open calls for applications for the foreseeable future.

A further donation of £45m was received by the Trust in March 2021.

## 6. STRUCTURE, GOVERNANCE AND MANAGEMENT

The Charity is a trust governed by its declaration of trust dated 20 May 2019 and is registered as a charity with the Charity Commission for England and Wales.

The Charity is controlled by its sole corporate trustee, the Prudence Trust Company Ltd. The charity resolved to appoint the Prudence Trust Company Ltd as sole corporate trustee in June 2020. Charity Commission approval for this appointment was received in September 2020.

The Trustee Directors liaise regularly and meet at least quarterly to discuss and develop the Charity's goals and strategy and to review grant proposals and general grant requests.

In the reporting period the Trust appointed an investment and audit sub-committee with oversight of investment, audit, risk management and financial performance. The committee meets at least twice a year.

The number of Trustees shall be a minimum of three at any one time, or one Trustee if said trustee is a Trust corporation, and new Trustees shall be appointed in writing by the Founding Trustee. The range of skills represented on the Trustee Board will be kept under review as the Charity develops over time.

### Induction and Training

As part of their training, Trustee Directors are given an information pack which includes the Charity's Constitution. Trustee Directors are given annual training on the Charity Commission guidance on Trustees' Responsibilities. All Trustees are aware of their legal duties and obligations in respect of the management of the Charity, including in relation to the protection of its assets.

### Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the Annual Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the charity's financial activities during the period and of its financial position at the end of the period. In preparing financial statements giving a true and fair view, the trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and statement of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The Trustee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity

(Accounts and Reports) Regulations 2008 and the provisions of the trust deed. 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 Trustee Directors have signed fit and proper declarations in line with HMRC guidance.

In addition, each year the Trustee Directors give due consideration to Good Governance – A Code for the Voluntary and Community Sector, ensuring that the six main principles of the Code are adhered to. These are:

- Understanding the Trustees' role;
- Doing what the organisation was set up to do;
- Working effectively;
- Control;
- Behaving with integrity; and
- Openness and accessibility.

The Trustee recognises that good governance plays an essential part in securing the future of the Charity and confirm that the said main principles of the Code are followed by them in leading, directing and managing the Charity.

No Trustee Director received any remuneration during the year to 31 December 2020. The Trust does not carry out fundraising activities.

### Internal Controls

The Trustee has overall responsibility for ensuring that the Charity has appropriate systems of internal controls. They are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements follow best practice and all applicable law regulation and guidance. The Trustee is also responsible for the Charity safeguarding its assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The system of internal controls is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

### Risk Management & Corporate Governance

A risk assessment has been performed during the preparation of this report and the Financial Statements. The risk assessment undertaken comprises of:

- A review of the risks the Charity faced during the period, since the period end and which it may face in the future;
- The establishment of systems and procedures to mitigate those risks; and
- The implementation of procedures designed to minimise any potential impact on the Charity should those risks materialise.

This continuing process will identify risk areas to which the Charity is vulnerable and highlight any necessary safeguards that will need to be put in place. The current version of the Charity's Risk Register was approved by the Board of Trustee Directors in January 2021.

The risk register is reviewed every six months by the Board. Mitigation plans are in place for all risks and are overseen by the Investment & Audit Committee.

Principle risks for the Charity were identified as:

- Adverse investment performance, which is mitigated by holding the investment portfolio with two managers in a diverse portfolio, with performance monitored by an independent investment consultant.
- Insufficient resources to deliver the grant-making plan as the charity had one employee during the reporting period. This is being mitigated by recruiting another member of staff joining in April 2021 and more recruitment planned for later in the year.
- Activities outside of the terms of objects, powers or terms of gift (restricted funds), which is mitigated by the Trustee Directors factoring this into their decision-making processes, by ensuring there is clear segregation of restricted funds within investment managers and by bookkeepers monitoring and reporting back to the Trustee and charity management on the use of restricted funds.

### Related Party Transactions

The Trust has no subsidiary undertakings and has not entered into any co-operation agreements with other Charities in pursuit of its charitable objectives. Where the Trust engages in a transaction with which one of the Trustee Directors is connected, the conflicted Trustee Director recuses themselves from the decision making process. Related party transactions are disclosed in note 12 to the Financial Statements.

Approved by the Trustee and signed on their behalf by:

Guy Elliott  
Director of the Prudence Trust Company Limited (Trustee)

10 June 2021

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE THE PRUDENCE TRUST

## Opinion

We have audited the financial statements of The Prudence Trust (the 'charity') for the year ended 31 December 2020 which comprise the statement of financial activities, balance sheet, statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 charity's affairs as at 31 December 2020 and of its incoming resources and application of resources, for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- Have been prepared in accordance with the requirements of the Charities Act 2011

## Basis for opinion

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

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustee's 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 Prudence Trust'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 trustee with respect to going concern are described in the relevant sections of this report.

## Other matter

The financial statements of The Prudence Trust for the period ended 31 December 2019 were unaudited. An independent examination was performed which expressed an unmodified opinion on those statements.

## Other Information

The other information comprises the information included in the trustee's annual report, other than the financial statements and our auditor's report thereon. The trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- The information given in the trustee's annual report is inconsistent in any material respect with the financial statements;
- Sufficient accounting records have not been kept; or
- The financial statements are not in agreement with the accounting records and returns; or
- We have not received all the information and explanations we require for our audit

## Responsibilities of trustee

As explained more fully in the statement of trustee's responsibilities set out in the trustee's annual report, the trustee is 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 trustee determines 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 trustee is responsible for 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 the trustee either intends to liquidate the charity or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

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 are set out below.

### Capability of the audit in detecting irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We enquired of management and the audit and investment committee, which included obtaining and reviewing supporting documentation, concerning the charity's policies and procedures relating to:
- Identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;
- The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We inspected the minutes of meetings of those charged with governance.
- We obtained an understanding of the legal and regulatory framework that the charity operates in, focusing on those laws and regulations that had a material effect on the financial statements or that had a fundamental effect on the operations of the charity from our professional and sector experience.
- We communicated applicable laws and regulations throughout the audit team and remained alert to any indications of non-compliance throughout the audit.
- We reviewed any reports made to regulators.
- We reviewed the financial statement disclosures and tested these to supporting documentation to assess compliance with applicable laws and regulations.
- We performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

- In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias and tested significant transactions that are unusual or those outside the normal course of business.

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 is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 charity's trustee as a body, in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's trustee 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 the charity's trustee as a body, for our audit work, for this report, or for the opinions we have formed.

15 June 2021

Sayer Vincent LLP, Statutory Auditor

Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

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



# THE PRUDENCE TRUST

## STATEMENT OF FINANCIAL ACTIVITIES FOR THE

### YEAR TO 31 DECEMBER 2020

	Note	Unrestricted Funds 2020 £	Restricted Funds 2020 £	Total Funds 2020 (12 months) £	Total Funds 2019 (8 months) £
<b>Income from:</b>					
Donations	2	65,797,928	50,000,000	115,797,928	199,628
Investment Income	3	572,675	6,291	578,966	-
<b>Total Income</b>		<u>66,370,603</u>	<u>50,006,291</u>	<u>116,376,894</u>	<u>199,628</u>
<b>Expenditure on:</b>					
Charitable activities	4	604,789	-	604,789	-
Raising funds: investment management	5	183,130	33,207	216,337	-
Setup Costs	6	-	-	-	197,968
<b>Total Expenditure</b>		<u>787,919</u>	<u>33,207</u>	<u>821,126</u>	<u>197,968</u>
<b>Net gains on investments</b>	7	<u>4,019,927</u>	<u>1,066,559</u>	<u>5,086,486</u>	<u>-</u>
<b>Net income</b>		<u>69,602,611</u>	<u>51,039,643</u>	<u>120,642,254</u>	<u>1,660</u>
<b>Other recognised gains</b>		9	17	26	-
<b>Net movement in funds</b>		<u>69,602,620</u>	<u>51,039,660</u>	<u>120,642,280</u>	<u>1,660</u>
<b>Reconciliation of funds:</b>					
Total funds brought forward		1,660	-	1,660	-
<b>Total funds carried forward</b>		<u><b>69,604,280</b></u>	<u><b>51,039,660</b></u>	<u><b>120,643,940</b></u>	<u><b>1,660</b></u>

All of the above results are derived from continuing activities. There were no recognised gains and losses for year 31 December 2020 other than those stated above. Movement in funds are disclosed in Note 14 to the Financial Statements.

THE PRUDENCE TRUST  
(REGISTERED CHARITY NO. 1187700)  
BALANCE SHEET  
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Investments and cash under management	7	115,492,792	-
<b>Current assets</b>			
Debtor	8	34,429	8,382
Cash at bank	9	5,240,452	5,860
<b>Total Current Assets</b>		5,274,881	14,242
<b>Current liabilities</b>			
Creditors - amounts falling due within one year	10	(105,733)	(12,582)
<b>Net current assets</b>		5,169,148	1,660
<b>Total assets less current liabilities</b>		120,661,940	1,660
<b>Non-current liabilities</b>			
Creditors – amounts falling due in more than one year	11	(18,000)	-
<b>Total net assets</b>		120,643,940	1,660
<b>The funds of the charity:</b>			
Unrestricted funds		69,604,280	1,660
Restricted funds		51,039,660	-
<b>Total charity funds</b>		120,643,940	1,660

The financial statements were approved and authorised for issue by the Trustee and were signed on their behalf by:

Guy Elliott  
Director of the Prudence Trust Company Limited (Trustee)

10 June 2021

# THE PRUDENCE TRUST STATEMENT OF CASH FLOWS FOR THE YEAR TO 31 DECEMBER 2020

	Note	2020 (12 Months) £	2019 (8 months) £
<b>Net cash flow from Operating Activities</b>			
Net movement in funds for the year		120,642,280	1,660
Less: Investment income and deposit interest		(578,966)	-
Net gain on investment assets		(5,086,486)	-
(Increase) in debtors		(26,047)	(8,382)
Increase in creditors		111,151	12,582
		<u>115,061,932</u>	<u>5,860</u>
<b>Returns on investments</b>			
Investment income	3	<u>578,966</u>	<u>-</u>
<b>Capital expenditure and financial investment</b>			
Purchase of investments	7	(82,812,203)	-
Proceeds from sale of investments	7	<u>228,546</u>	<u>-</u>
		<u>(82,583,657)</u>	<u>-</u>
<b>Net increase in cash in the year</b>		<u>£ 33,057,241</u>	<u>£ 5,860</u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net cash resources at 1 January 2020		5,860	-
Net increase in cash		<u>33,057,241</u>	<u>5,860</u>
<b>Net cash resources at 31 December 2020</b>		<u>£ 33,063,101</u>	<u>£ 5,860</u>
<b>Analysis of net funds:</b>			
Cash held in investment portfolio	7	27,822,649	-
Cash at Bank	10	<u>5,240,452</u>	<u>5,860</u>
		<u>£ 33,063,101</u>	<u>£ 5,860</u>

# THE PRUDENCE TRUST

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

### 1. ACCOUNTING POLICIES

#### **Basis of Preparation of Financial Statements**

The Prudence Trust (“the Trust”), registered charity number 1187700, is based and administered in the United Kingdom. The registered address is 16 Berkeley Street, London, W1J 8DZ. The nature of the Trust’s operations and principal activities are set out in the Trustees’ Annual Report.

The financial statements have been prepared in accordance with 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) (“Charities SORP FRS 102”), the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011 and UK Generally Accepted Accounting Practice.

The financial statements have been prepared to give a ‘true and fair’ view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a ‘true and fair view’. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The Trust constitutes a public benefit entity as defined by Charities SORP FRS 102.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

In applying the financial reporting framework, the Trustee has made a number of subjective judgements, for example in respect of significant accounting estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The nature of the estimation means the actual outcomes could differ from those estimates. Any significant estimates and judgements affecting these financial statements are detailed within the relevant accounting policy below.

The comparative figures throughout the Financial Statements and supporting notes are from inception on 20 May 2019 to 31 December 2019.

#### **Incoming Resources**

Investment income is derived from interest and dividends receivable from investments and is accounted for in the period in which the Trust is entitled to receipt. Interest from deposit

accounts are included as and when received only. All incoming resources are included in the SOFA when the Trust is entitled to the income and the amount can be quantified with reasonable accuracy.

Voluntary donations include donations under Gift Aid with the associated tax credits included when receivable. Interest from deposit accounts are included when received.

### **Resources Expended**

All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation committing the Trustee to the expenditure. Irrecoverable VAT is charged against the activity for which expenditure was incurred.

Charitable activities include governance costs made during the period and are expended through the SOFA when the offer is conveyed to the recipient.

Cost of raising funds relate to the costs incurred by the Trust in managing its investment portfolios.

Governance costs relating to the general running of the Trust, as opposed to the management functions inherent in generating funds.

### **Grants payable**

Grants payable are made to third parties in furtherance of the Trust's objects. Single or multi-year grants are accounted for when either the recipient has a reasonable expectation that they will receive a grant and the Trustee has agreed to pay the grant without condition, or the recipient has a reasonable expectation that they will receive a grant and that any condition attaching to the grant is outside of the control of the Trust.

### **Fixed asset investments**

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Any change in fair value will be recognised in the statement of financial activities. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading "Net gains/(losses) on investments" in the statement of financial activities. The Trust does not trade in options, derivatives or other complex financial instruments.

### **Status of funds**

Restricted funds are to be used for specific purposes as laid down by the donor. Income arising from the investment of those funds and expenditure which meets the criteria set out by the donor is charged to the fund.

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

### **Foreign currency**

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are converted at the rate of exchange ruling at the date of the transaction. All translation differences are taken to the statement of financial activities as they arise.

**Taxation**

The Trust is not subject to any taxes on its charitable activities.

Debtors and creditors receivable / payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised as expenditure.

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

**Provisions**

Provisions are recognised when the Trust has an obligation at the Balance Sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

**Going concern**

The Covid-19 pandemic has created significant operational pressures on all charities. The Trust is in the position of having significant assets with expenditure requirements which are within control of the Trustee. The pandemic, therefore, has not had a negative impact on the financial sustainability of the organisation and therefore, the Trustee considers the adoption of the going concern basis in preparing these financial statements is appropriate.

<b>2. INCOME FROM DONATIONS</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total 2020 (12 months) £</b>	<b>Total 2019 (8 months) £</b>
Donations received	53,297,928	50,000,000	103,297,928	199,628
Gift Aid Tax Relief	12,500,000	-	12,500,000	-
	<u>£65,797,928</u>	<u>£50,000,000</u>	<u>£115,797,928</u>	<u>£ 199,628</u>

All donations received in the period 20 May 2019 to 31 December 2019 were unrestricted.

<b>3. INCOME FROM INVESTMENTS</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total 2020 (12 months) £</b>	<b>Total 2019 (8 months) £</b>
UK quoted securities income	534,654	1,498	536,152	-
Overseas quoted securities income	30,483	3,348	33,831	-
Deposit interest	7,538	1,445	8,983	-
	<u>£ 572,675</u>	<u>£ 6,291</u>	<u>£ 578,966</u>	<u>£ -</u>

#### 4. EXPENDITURE ON CHARITABLE ACTIVITIES

	Total 2020 (12 months) £	Total 2019 (8 months) £
<b>Grants payable:</b>		
The Trust awarded grants totalling £434,000 to twelve UK registered charities during the year to 31 December 2020 (2019: nil). The grants awarded were in the following areas of focus of the Trust with the cumulative amount per area shown:		
Mental Health	200,000	-
General	154,000	-
Disadvantaged	50,000	-
Arts	30,000	-
<b>Total Grants payable</b>	<u>434,000</u>	<u>-</u>
<b>Support Costs:</b>		
Staff costs	54,599	-
Charity consultants	25,880	-
Bookkeeping services and tax advice	22,418	-
Miscellaneous costs and bank charges	1,516	-
<b>Total Support costs</b>	<u>104,413</u>	<u>-</u>
<b>Governance Costs:</b>		
Legal fees	57,376	-
Audit fees	9,000	-
<b>Total Governance costs:</b>	<u>66,376</u>	<u>-</u>
<b>Total Charitable activities</b>	<u>£ 604,789</u>	<u>£ -</u>

Auditor remuneration in respect of their examination of the Financial Statements for the year to 31 December 2020 totalled £7,500 excluding VAT.

The average number of employees during the period was 1 (2019: 0). Included in staff costs are gross salaries £45,039, social security costs totalling £5,505 and pension contributions of £4,055.

The total amount of benefit received by key management personal was £54,599 (2019: £nil). Key management personnel represent the Trustee and the Foundation Director. No employee earned more than £60,000 during the year (2019: 0)



5. EXPENDITURE ON INVESTMENT MANAGEMENT	Unrestricted	Restricted	Total 2020 (12 months) £	Total 2019 (8 months) £
JTFM Limited – Financial consultant	24,000	-	24,000	-
Veritas Investment management fees	53,475	16,863	70,338	-
CCLA investment management fee	105,655	16,344	121,999	-
	<u>£ 183,130</u>	<u>£ 33,207</u>	<u>£ 216,337</u>	<u>-</u>

CCLA investment management fees are shown net of management fee rebates and are deducted directly from the fund value. The investment management fee is treated as an indirect cost and accounted for as a reduction in the book value of the investment.

#### 6. SETUP COSTS

Legal Fees	-	157,066
Tax advice, accountancy and independent examination fees	-	27,132
Charity consultants	-	13,630
Bank charges	-	140
	<u>£ -</u>	<u>£ 197,968</u>

#### 7. FIXED ASSET INVESTMENTS

Quoted investments	87,670,143	-
Cash held as part of portfolios	27,822,649	-
<b>Total investments and cash under management</b>	<u>£ 115,492,792</u>	<u>£ -</u>
Net realised investment (loss)	(25)	-
Net unrealised investment gain	5,086,511	-
<b>Net gain on investments</b>	<u>£ 5,086,486</u>	<u>£ -</u>
<b>Investments and cash under management</b>		
<b>Market value at 1 January 2020</b>	-	-
Additions at cost	82,812,203	-
Disposals	(50,101)	-
Indirect investment management fees	(178,445)	-
Net realised investment loss	(25)	-
Net unrealised investment gain	5,086,511	-
<b>Market Value at 31 December 2020</b>	<u>£ 87,670,143</u>	<u>£ -</u>

	2020 £	2019 £
<b>8. DEBTORS</b>		
Investment management fee rebate	34,429	-
Accrued Income	-	8,382
	<u>£ 34,429</u>	<u>£ 8,382</u>
<b>9. CASH AT BANK</b>		
Cash at bank	<u>£ 5,240,452</u>	<u>£ 5,860</u>
<b>10. CREDITORS - amounts falling due within one year</b>		
Accounts payable	72,983	8,382
Accruals	32,750	4,200
	<u>£ 105,733</u>	<u>£ 12,582</u>
<b>11. CREDITORS - amounts falling due in more than one year</b>		
Accruals	<u>£ 18,000</u>	<u>-</u>

During the year the Trustee agreed awarded a grant to Action on Addiction of £54,000 payable in equal tranches over a three year period. At 31 December 2020, two payments totalling £36,000 (2019: £nil) remain outstanding and as such are included in Creditors – amounts falling due within one year and Creditors – amounts falling due in more than one year relative to when the payment falls due.

## 12. RELATED PARTY TRANSACTIONS

During the period the Trust was deemed to receive donations totalling £47,052 (2019: £199,628) from a Trustee Director used in direct settlement of expenses of the Trust. The same former Trustee Director made an unrestricted donation of £50m to the Trust.

A donation of £30,000 was made to Soho Theatre of which Beatrice Hollond (Trustee Director) is also a Trustee. During the decision making process to award the grant Beatrice Hollond recused herself and the decision was made independently of her Directorship.

No Trustee received any remuneration or reimbursement of expenses during the year to 31 December 2020 (2019: £nil).

## 13. ULTIMATE CONTROLLING PARTY

The Trustee Directors consider that the Trust is jointly controlled by the Directors of The Prudence Trust Company and therefore there is no one ultimate controlling party.

	Balance brought forward £	Income and Gains £	Expenditure and Losses £	Balance carried forward £
<b>14. FUNDS</b>				
For the year ended 31 December 2020:				
Unrestricted	1,660	70,390,539	(787,919)	69,604,280
Restricted	-	51,072,867	(33,207)	51,039,660
	<u>£ 1,660</u>	<u>£121,463,406</u>	<u>£ (821,126)</u>	<u>£120,643,940</u>
For the period to 31 December 2019:				
Unrestricted	-	199,628	197,968	1,660
Restricted	-	-	-	-
	<u>£ -</u>	<u>£ 199,628</u>	<u>£ 197,968</u>	<u>£ 1,660</u>
<b>Analysis of net assets between funds</b>				
	<b>Unrestricted £</b>	<b>Restricted £</b>	<b>Total 2020 £</b>	<b>Total 2019 £</b>
Fixed assets	64,451,544	51,041,248	115,492,792	-
Debtors	24,016	10,413	34,429	8,382
Cash at Bank	5,235,590	4,862	5,240,452	5,860
Creditors	(106,870)	(16,863)	(123,733)	(12,582)
<b>Total Funds</b>	<u>£ 69,604,280</u>	<u>£51,039,660</u>	<u>£120,643,940</u>	<u>£ 1,660</u>

Restricted funds are to be used for specific purposes as laid down by the donor and must be used to furthering the charitable objectives and not for day to day operations of the Trust. Income arising from the investment of those funds and expenditure which meets the criteria set out by the donor is charged to the fund. For the period 20 May 2019 to 31 December 2019 all funds were unrestricted.

<b>15. FINANCIAL INSTRUMENTS</b>	<b>Page</b>	<b>2020 £</b>	<b>2019 £</b>
The carry amounts of the Trust's financial instruments are as follows:			
<b>Financial assets</b>			
Measured at fair value through SOFA:			
-Fixed asset quoted investments	26	87,670,143	-
-Cash under management	26	27,822,649	-
-Cash at bank and in hand	27	5,240,452	5,860
-Measured at amortised costs	27	34,429	8,382
<b>Financial liabilities</b>			
Measured at amortised cost			
-Creditors	27	<u>123,733</u>	<u>12,582</u>
The net gains attributable to the Trust's financial instruments are summarised as follows:			
<b>Income and expense</b>			
Measured at fair value through SOFA:			
-Net gains (including changes in fair value)	26	<u>5,086,512</u>	<u>-</u>

## **16. KEY SERVICE PROVIDERS**

### **Bankers:**

C Hoare & Co  
37 Fleet Street, Temple. London, EC4Y 1BT

J.P. Morgan Bank Luxembourg S.A. – London Branch  
PO Box 68214, 1 Knightsbridge, London, SW1P 9UH

J.P. Morgan Bank Luxembourg S.A  
6 Route de Treves, L-2633 Senningerberg, Luxembourg

### **Investment Managers:**

CCLA Investment Management  
85 Queen Victoria Street London EC4V 4ET

Veritas Investment Partners (UK) Limited  
Riverside House, 2a Southwark Bridge Road, London, SE1 9HA

### **Solicitors:**

Womble Bond Dickinson  
4 More London Riverside, Greater London, SE1 2AU

### **Accountants:**

Rawlinson & Hunter LLP  
Eighth Floor, 6 New Street Square, New Fetter Lane, London, EC4A 3AQ

### **Independent Auditor:**

Sayer Vincent LLP  
Invicta House, 108-114 Golden Lane, London, EC1Y 0TL