

PRUDENCE 'TRUST'

ANNUAL REPORT OF THE TRUSTEE AND FINANCIAL STATEMENTS

FOR THE YEAR TO
31 DECEMBER 2021

(Registered Charity No. 1187700)

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THE PRUDENCE TRUST

ANNUAL REPORT OF THE TRUSTEE

FOR THE YEAR TO 31 DECEMBER 2021

The Trustee Directors present their report and independently audited financial statements of The Prudence Trust (“the Trust” or “the Charity”), for the year to 31 December 2021. 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.

Trustee:

The Trustee of the Trust who held office during the period and continues to serve at the date of this report is Prudence Trust Company Limited

The Trustee did not hold any beneficial interest in the Trust at 31 December 2021 or at any time during or since that period.

Key Management:

The Directors of the Corporate Trustee (“Trustee Directors”) are in charge of directing and controlling the Trust. 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
- Guy Elliott
- Beatrice Hollond
- Julia Samuel MBE
- Peter Bennett-Jones CBE

2. OBJECTIVES AND ACTIVITIES FOR THE PUBLIC 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; and
- Any other general purpose that the Trustee Directors think fit.

During 2021 the Trustee Directors refined the funding priorities for its first years of operation. These are to:

- a) Build young people's resilience and tools to cope with life's challenges and prevent mental illness.
- b) Improve young people's access to support when they have signs of mental illness.
- c) Build the evidence of what treatments work to prevent and treat youth mental illness, alongside building the community of adolescent mental health researchers.

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 grant making and social investment policy to guide the Trustee's decisions in achieving the charitable objectives was approved by trustees on 21 January 2021. In November 2021 Trustees approved some further funding parameters. The policy and parameters allow 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. 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:

1. Build the grant-making capacity of the Charity
2. Deepen our knowledge and increase our profile
3. Create operating capacity for higher level of grants activity
4. Monitor investments against the objectives.

During this period, the following was achieved:

Build the grant-making capacity of the Charity

In 2021 the Charity considered a number of grants to advance the Charity's funding priorities detailed in section 2. The total of grants awarded in 2021 was £3.95m (2020: £434,000).

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

Prince's Trust for the Get Started with Arts programme with young people	£450,000
East London Dance for their youth dance programmes	£150,000
Ebony Horse Club to expand their youth work	£32,000
The Mix for their digital counselling service for young people	£50,000
Anna Freud Centre for their Schools Support Service, offering remote support to young people, parents and teachers	£140,000
Sustainable Food Trust to help develop the Global Farm Metric	£200,000
Onside Youth Zones to provide Wellbeing Youth Workers and Arts programmes in some Centres	£377,250
Place2Be to help them expand their offer of counselling and whole-school support to more schools	£456,000
Dulwich Picture Gallery for their social prescribing programme with the Tessa Jowell Health Centre	£92,120
Create to provide and evaluate arts programmes in adolescent psychiatric settings	£161,579
Roundhouse to run their community arts programme	£45,000
Climbing Out for their residential programme for young people following a trauma	£16,000
Core-Arts for capital costs for their art school canal boat to help promote positive mental health	£180,000
King's College London for a Fellowship scheme for a researcher in adolescent mental health	£400,000
University College London for a researcher in adolescent mental health	£400,000
University of Bristol for a researcher in adolescent mental health	£400,000
University of Oxford for a researcher in adolescent mental health	£400,000

Deepen our knowledge and increase our profile

The Charity's Mental Health Advisory Panel, chaired by Prof Peter Fonagy, has advised the Trustee Directors on developing a research programme in adolescent mental health. The Advisory Panel has been supported by a Research Sub-committee, comprising UK-based academics, international academics and young people with experience of mental illness.

The Research Sub-committee oversaw the process to select research partners. During 2021 the recommendation was made to appoint four research partners: the University of Bristol, University of Oxford, University College London and King's College London.

The Charity is working with these partners to select research projects for funding and has supported a three-year fellowship scheme at each for researchers in child and adolescent mental health. The Research Committee has been advising the trustee directors on the selection of these research projects which have been evaluated during 2021 and early 2022 and will be granted in the Spring of 2022.

In September the Prudence Trust website went live with the aim of providing potential grantee organisations with more information about the Charity's aims and funding priorities, as well as being a place for charities to make grant applications.

The Charity held its first in-person event in December, "Conversations on Art and Mental Health" as a way of building its profile in the area of social prescribing and bringing together frontline organisations with experts and funders in this field.

Create operating capacity for higher level of grants activity

To support the greater volume of grant-activity, the Charity has built a small team. In April, a Head of Grants was recruited to both design and run the grants process. In January of 2022 two further team-members were recruited – a grants manager and a team executive assistant.

A Grant Management System, Salesforce, was chosen and successfully implemented in August 2021 to enable the Charity to track the pipeline of grant applications, record funding commitments and manage relationships with grantees and others.

This implementation formed part of developing and formalising a systematic grant-making process which is now in place. This process sets out the procedures and practices for research and due diligence, grant- approval and the monitoring of grants and their impact.

Monitor investments against the objectives.

The Investment & Audit Committee oversee the Charity's investments, supported by an investment consultant, JTFM.

During the year, as part of diversifying the Charity's assets, the Trustee Directors approved the addition of a third investment manager which is expected to be appointed in 2022, alongside a transition from one manager to another. The details are outlined in the Financial Review.

4. FINANCIAL REVIEW

The Statement of Financial Activities on page 14 shows total incoming resources for the period of £49,493,999 (2020: £116,376,894) and expenditure on charitable activities of £4,317,591 (2020: £604,789). Direct charitable expenditure of £3,949,949 (2020: £434,000) was incurred in the year by way of awarding grants. Governance costs amounted to £21,742 (2020: £66,376) and are included within charitable activities. The balance of charitable activities comprised support costs totalling £345,900 (2020: £104,413). The increase in support costs was primarily driven by office costs and additional staff being recruited.

The Trust spent £864,825 (2020: £216,337) on investment management fees. The total reserve at 31 December 2021 amounted to £190,253,543 (2020: £120,643,940).

At the beginning of 2021 the Charity held its investments across four portfolios with 80% held with CCLA Investment Management and 20% with Veritas Investment Partners (UK) Limited. In November 2021 the investments held with CCLA were transferred in specie to Brown Advisory.

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

As at 31 December 2021 the funds held with CCLA Investment Management and subsequently transferred to Brown Advisory returned 15.01% over the year on a time weighted return basis. Veritas Investment Partners (UK) Limited returned 23.12% over the year on a time weighted return basis. The total investment income for the year across all portfolios was £4,424,964 (2020: £578,966).

The benchmark of inflation as measured by the UK Consumer Price Index ("CPI") plus 4.0% totalled 9.92%, which the investment managers outperformed.

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

In April 2022 a third manager, Ruffer LLP, was appointed to manage approximately 25% of the Charity's investment assets.

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 unrestricted assets of the Charity are regarded as free reserves and the funds at 31 December 2021 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 Trustee also notes that the war in Ukraine has impacted the financial markets and has resulted in a material depreciation in the valuation of the Charity's investments of £7,893,460 (4.36%) as at 31 March 2022. They do not believe however that this will have an impact on going concern. 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 Trustee determines 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. The Trustee Directors ensure that the Director's performance is reviewed and reported at least annually by the Chair of the Board of Trustees. The Director is responsible for determining the salaries of other staff in line with the remuneration policy above and as approved in the budget.

5. PLANS FOR THE FUTURE

The Trustee Directors do not propose to deviate from the current objectives and activities of the Charity as detailed in Section 2 of this report. The Trustees Directors have approved a grants plan to 2022-2023 to deliver on the areas of focus.

With the expanded grant-making capability, the Prudence Trust has the systems and structures to expand grant-making further in 2022 and 2023 to meet these aims. The executive team have set out a schedule of grant rounds until December 2023.

The Charity's Research Grants Programme was launched in November and will be completed in March 2022, following a two-stage application and external review process. A grants round to support more places to go for young people with anxiety and depression was opened up to applications and grants will be awarded in May.

The Prudence Trust profile and networks will be built further with the aim of attracting high quality applications for open rounds and to identify opportunities for collaboration with other funders.

The Charity will ensure that the Trustee board is appropriately informed and supported, by reviewing the composition and skills of sub-committees, including how it further involves young people in research and grant-making.

The Trustee Directors will continue to develop and refine their strategies, policies and procedures in future.

A further donation of £11m was received by the Trust in February 2022

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 Trustee Directors 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 Trustee Directors 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 Trustee 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 Trustee should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (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.

Charity Governance Code

In addition, each year the Trustee Directors give due consideration to Good Governance – A Code for the Voluntary and Community Sector, ensuring that the seven 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;
- Equality, diversity and inclusion; 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 2021.

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 2022.

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

Principle risks for the Charity were identified as:

- The decision to add fund managers to reduce manager-specific risk for its assets has meant a transfer of funds in 2021-2022. This process is overseen by the Investment & Audit Committee, the fund transfers governed by mandates with managers and the transfer process tracked and reconciled at each stage.
- The volume of grant-making has increased meaning that the grant-making processes need to be adhered to in order to manage the volume and risks related to grants. Through 2021, systems have been created and strengthened to ensure the team has the capacity and procedures to meet the grant-making objectives, and that Trustee Directors have oversight of the whole process.

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. Any related party transactions are disclosed in note 13 to the Financial Statements.

A Trustee Director, Beatrice Hollond is a Non-Executive Director of Brown Advisory. Beatrice Hollond recused herself from any decisions on appointing Brown Advisory as an Investment Manager and the decision was made independently of her Directorship and with the assistance of external and independent investment consultants.

During the year a donation of £140,000 (2020: £Nil) was made to Anna Freud Centre where a spouse of one of the Trustee Directors, Julia Samuel is the Chair. Julia recused herself from the decision-making process related to this grant.

Approved by the Trustee and signed on their behalf by:

Guy Elliott

Date: 14 June 2022

Director of the Prudence Trust Company Limited (Trustee)

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 2021 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 2021 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 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. 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.

20 June 2022

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 2021

	Note	Unrestricted Funds 2021 £	Restricted Funds 2021 £	Total Funds 2021 £	Total Funds 2020 £
Income from:					
Donations	2	69,035	45,000,000	45,069,035	115,797,928
Investments	3	1,825,934	2,599,030	4,424,964	578,966
Total Income		<u>1,894,969</u>	<u>47,599,030</u>	<u>49,493,999</u>	<u>116,376,894</u>
Expenditure on:					
Charitable activities	4	3,867,561	450,030	4,317,591	604,789
Raising funds: investment management	6	411,772	453,053	864,825	216,337
Total Expenditure		<u>4,279,333</u>	<u>903,083</u>	<u>5,182,416</u>	<u>821,126</u>
Net income before gains on investments		(2,384,364)	46,695,947	44,311,583	115,555,768
Net gains on investments	7	10,472,131	14,829,311	25,301,442	5,086,486
Net income		<u>8,087,767</u>	<u>61,525,258</u>	<u>69,613,025</u>	<u>120,642,254</u>
Other recognised (losses)/gains		1,389	(4,811)	(3,422)	26
Net movement in funds		<u>8,089,156</u>	<u>61,520,447</u>	<u>69,609,603</u>	<u>120,642,280</u>
Reconciliation of funds:					
Total funds brought forward		69,604,280	51,039,660	120,643,940	1,660
Total funds carried forward		<u>77,693,436</u>	<u>112,560,107</u>	<u>190,253,543</u>	<u>120,643,940</u>

All of the above results are derived from continuing activities. There were no recognised gains and losses for year 31 December 2021 other than those stated above. Movement in funds are disclosed in Note 15 to the Financial Statements. A comparative Statement of Financial Activity is included as Note 17.

THE PRUDENCE TRUST

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Investments and cash under management	7	189,525,371	115,492,792
Tangible Assets	8	2,045	-
Total fixed assets		<u>189,527,416</u>	<u>115,492,792</u>
Current assets			
Debtors	9	99,359	34,429
Cash at bank		4,151,875	5,240,452
Total Current Assets		<u>4,251,234</u>	<u>5,274,881</u>
Current liabilities			
Creditors - amounts falling due within one year	10	(1,503,289)	(105,733)
Net current assets		<u>2,747,945</u>	<u>5,169,148</u>
Total assets less current liabilities		192,275,361	120,661,940
Non-current liabilities			
Creditors – amounts falling due in more than one year	11	(2,021,818)	(18,000)
Total net assets		<u>190,253,543</u>	<u>120,643,940</u>
The funds of the charity:			
Unrestricted funds		77,693,436	69,604,280
Restricted funds		112,560,107	51,039,660
Total charity funds		<u>190,253,543</u>	<u>120,643,940</u>

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

Guy Elliott

**Director of Prudence Trust Company Limited
(Trustee)**

Beatrice Hollond

**Director of Prudence Trust Company Limited
(Trustee)**

Date: 14 June 2022

THE PRUDENCE TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR TO 31 DECEMBER 2021

	Note	2021	2020
		£	£
Net cash flow from Operating Activities			
Net movement in funds for the year		69,609,604	120,642,280
Less: Investment income and deposit interest		(4,424,964)	(578,966)
Depreciation charge	8	511	-
Net gain on investment assets		(25,301,442)	(5,086,486)
Increase in debtors		(64,931)	(26,047)
Increase in creditors		3,401,374	111,151
		<u>43,220,152</u>	<u>115,061,932</u>
Cash flows from investing activities			
Investment income	3	4,424,964	578,966
Purchase of tangible Assets		(2,556)	-
Purchase of investments		(230,677,464)	(82,812,203)
Proceeds from sale of investments	7	162,474,096	228,546
		<u>(63,780,960)</u>	<u>(82,004,691)</u>
Change in cash and cash equivalents in the year		<u>£ (20,560,808)</u>	<u>£ 33,057,241</u>
Reconciliation of net cash flow to movement in net funds			
Net cash resources at 1 January 2021		33,063,101	5,860
Net (decrease)/increase in cash		<u>(20,560,808)</u>	<u>33,057,241</u>
Net cash resources at 31 December 2021		<u>£ 12,502,293</u>	<u>£ 33,063,101</u>
Analysis of net funds:			
Cash held in investment portfolio	7	8,350,418	27,822,649
Cash at Bank		4,151,875	5,240,452
		<u>£ 12,502,293</u>	<u>£ 33,063,101</u>

THE PRUDENCE TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 DECEMBER 2021

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.

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.

Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £1,000. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

Tangible fixed assets are included at their cost value and depreciated using the straight line method over 5 years.

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.

The Trustee notes that the war in Ukraine has impacted the Financial Markets and has resulted in a material depreciation in the valuation of the Charity's investments of £7,893,460 (4.36%) as at 31 March 2022. They do not believe however that this will have an impact on going concern given the overall value of the investments and forecast expenditure.

2. INCOME FROM DONATIONS	Unrestricted	Restricted	Total 2021 £
Donations received	£69,035	£45,000,000	£45,069,035
	Unrestricted	Restricted	Total 2020 £
Donations received	53,297,928	50,000,000	103,297,928
Gift Aid Tax Relief	12,500,000	-	12,500,000
	£65,797,928	£50,000,000	£115,797,928
3. INCOME FROM INVESTMENTS	Unrestricted	Restricted	Total 2021 £
UK quoted securities income	1,554,202	2,243,596	3,797,798
Overseas quoted securities income	271,368	355,201	626,569
Deposit interest	364	233	597
	£ 1,825,934	£ 2,599,030	£ 4,424,964
	Unrestricted	Restricted	Total 2020 £
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
	£ 572,675	£ 6,291	£ 578,966

4. EXPENDITURE ON CHARITABLE ACTIVITIES

Grants payable:

The Trust awarded grants totalling £3,949,949 to thirteen UK registered charities and four UK Universities during the year to 31 December 2021 (2020: £434,000 to twelve UK registered charities). The grants awarded were in the following areas of focus of the Trust with the cumulative amount per area shown:

	Total 2021 £	Total 2020 £
Mental Health Research	1,600,000	-
Mental Health	1,203,250	200,000
Arts	853,699	30,000
General	200,000	154,000
Disadvantaged	93,000	50,000
Total Grants payable	3,949,949	434,000

Grants have been awarded restricted and unrestricted funds as follows:

Restricted	450,000	-
Unrestricted	3,499,949	434,000
	3,949,949	434,000

Support Costs:

Staff costs (note 5)	178,135	54,599
Office costs	69,035	-
Charity consultants	59,004	25,880
Bookkeeping services and tax advice	23,752	22,418
Events for charity partners	7,450	-
Miscellaneous costs and bank charges	7,546	1,516
Depreciation	511	-
Trustee liability insurance	467	-
Total Support costs	345,900	104,413

Support costs are allocated between restricted and unrestricted funds as follows:

Restricted	30	-
Unrestricted	345,870	104,413
	345,900	104,413

	Total 2021 £	Total 2020 £
Governance Costs:		
Legal fees	12,142	57,376
Audit fees	9,600	9,000
	<hr/>	<hr/>
Total Governance costs:	21,742	66,376
	<hr/>	<hr/>
Governance costs are allocated to unrestricted funds.		
	<hr/>	<hr/>
Total Charitable activities	£ 4,317,591	£ 604,789
	<hr/>	<hr/>

Auditor remuneration in respect of their audit of the Financial Statements for the year to 31 December 2021 totalled £8,000 excluding VAT. (2020: £7,500 excluding VAT)

5. STAFF COSTS

During the year to 31 December 2021, the average number of employees was 2 (2020: 1). The associated costs of employment are as follows:

	Total 2021 £	Total 2020 £
Gross Salaries	140,018	45,039
Employers Social Security	16,800	5,505
Employers Pension contribution	10,251	4,055
Staff benefits and insurance	11,066	-
	<hr/>	<hr/>
	£ 178,135	£ 54,599
	<hr/>	<hr/>

The total amount of benefit received by key management personnel was £122,056 (2020: £54,599). Key management personnel represent the Trustee and the Foundation Director. One employee earned between £100,000 and £110,000 during the year (2020: 0)

6. EXPENDITURE ON INVESTMENT MANAGEMENT	Unrestricted	Restricted	Total 2021 £
JTFM Limited – Financial consultant	34,800	-	34,800
Veritas Investment management fees	126,994	91,496	218,490
CCLA investment management fee	247,593	357,683	605,276
Brown Advisory investment management fee	2,385	3,874	6,259
	<u>£ 411,772</u>	<u>£ 453,053</u>	<u>£ 864,825</u>

	Unrestricted	Restricted	Total 2020 £
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>

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.

Brown Advisory was appointed in November 2021. The fees shown above represent a six week window and are net of a management fee rebate received in respect of the period.

7. FIXED ASSET INVESTMENTS	2021 £	2020 £
Quoted investments	181,174,953	87,670,143
Cash held as part of portfolios	8,350,418	27,822,649
Total investments and cash under management	<u>£ 189,525,371</u>	<u>£ 115,492,792</u>
Net gain on investments	<u>£ 25,301,442</u>	<u>£ 5,086,486</u>
Market value at 1 January	87,670,143	-
Additions at cost	230,677,464	82,812,203
Disposals	(161,456,134)	(50,101)
Indirect investment management fees (gross of rebate)	(1,017,962)	(178,445)
Net realised investment gain/(loss)	21,090,670	(25)
Net unrealised investment gain	4,210,772	5,086,511
Market Value at 31 December	<u>£ 181,174,953</u>	<u>£ 87,670,143</u>

8. TANGIBLE FIXED ASSET	2021 £
Fixtures, fittings and equipment at cost	
Balance at 1 January 2021	-
Purchases of fixtures, fittings and equipment	
Computer equipment	2,556
Balance at 31 December 2021	2,556
Accumulated depreciation	
Balance at 1 January	-
Charge for the year	511
Balance at 31 December 2021	511
Net Book Value at 31 December 2021	£ 2,045

Tangible fixed assets are depreciated over a five year period using the straight line method.

The fixed assets are still being used by the Trust.

9. DEBTORS	2021 £	2020 £
Prepayments	9,800	-
Investment management fee rebate	89,559	34,429
	<u>£ 99,359</u>	<u>£ 34,429</u>
10. CREDITORS - amounts falling due within one year	2021 £	2020 £
Accounts payable	80,901	72,983
Accruals	14,615	14,750
Grants payables	1,407,773	18,000
	<u>£ 1,503,289</u>	<u>£ 105,733</u>
11. CREDITORS - amounts falling due in more than one year	2021 £	2020 £
Grants payable	<u>£ 2,021,818</u>	<u>£ 18,000</u>

12. GRANTS PAYABLE

During the year the Trustee awarded fifteen new multi-year commitments, with one commitment (The Forward Trust) brought forward from the year ended 31 December 2020. The following amounts outstanding as at 31 December 2021:

Organisation	Amount falling due within one year	Amounts falling due in more than one year	Total
			£
The Forward Trust (Action on Addiction)	18,000	-	18,000
Ebony Horse Club	16,000	-	16,000
The Prince's Trust	146,902	196,490	343,392
OnSide	125,750	125,750	251,500
Sustainable Food Trust	100,000	-	100,000
East London Dance	75,000	75,000	150,000
Place2Be	152,000	304,000	456,000
Core Arts	90,000	90,000	180,000
Create	46,106	115,473	161,579
Dulwich Picture Gallery	57,015	35,105	92,120
Roundhouse Trust	15,000	30,000	45,000
Climbing out	16,000	-	16,000
Bristol University	133,333	266,667	400,000
Kings College London	133,333	266,667	400,000
University of Oxford	150,000	250,000	400,000
University College London	133,334	266,666	400,000
	<u>£ 1,407,773</u>	<u>£ 2,021,818</u>	<u>£ 3,429,591</u>

13. RELATED PARTY TRANSACTIONS

Brown Advisory was appointed as an investment manager in November 2021. A Trustee director, Beatrice Hollond, is a Non-Executive director of Brown Advisory. Beatrice Hollond recused herself from any decisions on appointing Brown Advisory and the decision was made independently of her Directorship and with the assistance of external and independent investment consultants. Investment management fees paid to Brown Advisory in the six week period to 31 December 2021 totalled £6,259 (2020: £Nil), further details can be found in note 6.

During the year a donation of £140,000 (2020: £Nil) was made to Anna Freud Centre where a spouse of one of the Trustee Directors, Julia Samuel is the Chair. Julia recused herself from the decision-making process related to this grant.

A donation of £30,000 was made in the year to 31 December 2020 to Soho Theatre of which one of the Trustee Directors is also a Trustee

No Trustee Director received any remuneration or reimbursement of expenses during the year to 31 December 2021 (2020: £nil).

Trustee Liability insurance of £467 was paid by the Charity on behalf of the Trustee Director (2020: £nil)

14. 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.

15.	FUNDS	Balance brought forward £	Income and Gains £	Expenditure and Losses £	Balance carried forward £
	For the year ended 31 December 2021:				
	Unrestricted	69,604,280	12,368,489	(4,279,333)	77,693,436
	Restricted	51,039,660	62,428,341	(907,894)	112,560,107
		<u>£120,643,940</u>	<u>£74,796,830</u>	<u>£(5,187,227)</u>	<u>£190,253,543</u>
	For the year to 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>

Analysis of net assets between funds

	Unrestricted £	Restricted £	Total 2021 £
Fixed assets	78,048,064	111,479,352	189,527,416
Debtors	43,924	55,435	99,359
Cash at Bank	2,751,271	1,400,604	4,151,875
Creditors	(3,149,823)	(375,284)	(3,525,107)
Total Funds	<u>£ 77,693,436</u>	<u>£112,560,107</u>	<u>£190,253,543</u>

	Unrestricted £	Restricted £	Total 2020 £
Fixed assets	64,451,544	51,041,248	115,492,792
Debtors	24,016	10,413	34,429
Cash at Bank	5,235,590	4,862	5,240,452
Creditors	(106,870)	(16,863)	(123,733)
Total Funds	<u>£ 69,604,280</u>	<u>£51,039,660</u>	<u>£120,643,940</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.

16. FINANCIAL INSTRUMENTS

2021
£

2020
£

The carry amounts of the Trust's financial instruments are as follows:

Financial assets

Measured at fair value through SOFA:

-Fixed asset quoted investments

181,174,953 87,670,143

-Tangible Fixed assets

2,045 -

-Cash under management

8,350,418 27,822,649

-Cash at bank and in hand

4,151,875 5,240,452

-Measured at amortised costs

- 34,429

Financial liabilities

Measured at amortised cost

-Creditors

3,525,107 123,733

The net gains attributable to the Trust's financial instruments are summarised as follows:

Income and expense

Measured at fair value through SOFA:

-Net gains (including changes in fair value)

25,298,020 5,086,512

17. COMPARATIVE STATEMENT OF FINANCIAL ACTIVITIES

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

18. 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:

Veritas Investment Partners (UK) Limited

Riverside House, 2a Southwark Bridge Road, London, SE1 9HA

Brown Advisory

18 Hanover Square, 1st Floor, London, W1S 1JY

Ruffer LLP,

80 Victoria Street, London SW1E 5JL

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