

**The Penchant Foundation
Dated 6 March 2020
(Charity Commission No 1188402)**

**Trustees' Annual Report and
Financial Statements
for the year ended 30 June 2022**

**Mercer
& Hole** | Trustees

The Penchant Foundation

Dated 6 March 2020

Trustees' Annual Report

for the year ended 30 June 2022

The trustees present their annual report and financial statements of the charity for the year ended 30 June 2022. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charity's trust deed, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland published in October 2019.

Reference and Administrative details

Name of Charity:	The Penchant Foundation Charity No. 1188402
Trustees:	Sir Charles Chadwyck-Healey Catherine Davies Lady Angela Mary Chadwyck-Healey Faith Miller Edward Alexander Chadwyck-Healey
Principal Office Address:	5 Madingley Road Cambridge CB3 0EE
Bankers:	Natwest Bank 21 Petty Cury Cambridge CB2 3NE
Investment Managers:	Brown Advisory 6-10 Bruton Street London W1J 6PX
Accountants:	Mercer & Hole Trustees Ltd 72 London Road St Albans, Hertfordshire AL1 1NS
Independent Examiner:	Steve Robinson Mercer & Hole LLP 72 London Road St Albans, Hertfordshire AL1 1NS

Structure, Governance and Management

Settlers:	Sir Charles Chadwyck-Healey Lady Angela Mary Chadwyck-Healey
Governing Document:	The principal governing document is a trust deed dated 6 March 2020. The trust is a private charitable trust controlled by its trustees. Power of appointment of additional trustees lies with the existing trustees, who are the original trustees. No additional trustees have been recruited since the inception of the charity and it is not considered that any additional trustees are required at present. The trustees are permitted to appoint income or capital to beneficiaries in the course of meeting the fund's purpose.

**Trustees' Annual Report
for the year ended 30 June 2022**

Investment Objectives: The Foundation seeks to produce the best financial return within an acceptable level of risk.

The investment objective is to generate a return of inflation plus 4% per annum over the long term, after expenses. This should allow the Foundation to at least maintain the real value of the assets, whilst funding annual expenditure in the region of 4% of the average value of the assets over the prior three years.

The Foundation adopts a total return approach to investment, generating the investment return from income and capital gains or losses. It is expected that if in any one year the total return is insufficient to meet the budgeted grant-making expenditure, in the long term the real value of the Foundation will still be maintained in accordance with the investment objective above.

Objectives and activities

Objectives of the Charity: The charitable objectives of the Charity are to advance such charitable purposes (according to the law of England and Wales) as the Charity trustees from time to time see fit.

The Charity intends to carry out its purpose by making grants.

The Charity is governed by the charity trustees of the Charity ("the trustees") who have a duty, acting at all times in the best interests of the Charity, to apply the Charity's assets to advance the objects and have ultimate responsibility for all grant-making decisions.

The number of projects and activities which can be supported is limited by the amount of funds available for distribution.

The priorities for funding over the next year will be the making of grants to organisations that submit an application to the Charity (such applications may be by invitation).

Public Benefit: The trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the trust's aims and objectives and in setting the grant-making policy for the year.

Risk:

Attitude to risk: The Foundation relies on the investment return to fund grant-making. However, grants are generally one-off awards and the number and value of these may vary depending on circumstances. The key risk to the long-term sustainability of the Foundation is inflation, and the assets should be invested to mitigate this risk over the long term. The trustees understand that this is likely to mean that investment will be concentrated in real assets and that the capital value will fluctuate.

The trustees are able to tolerate volatility of the capital value of the Foundation, as long as the Foundation is able to meet its short-term grant making commitments through either income or liquid capital assets.

The Penchant Foundation

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for the year ended 30 June 2022

Assets:	The Foundation's assets can be invested widely and should be diversified by asset class, by manager and by security. Asset classes could include cash, bonds, equities, property, hedge funds, structured products, private equity, commodities, property and any other asset that is deemed suitable for the Foundation.
Currency:	<p>The base currency of the investment portfolio is Sterling.</p> <p>Investment may be made in non-Sterling assets, but should not exceed 50% of the total investment portfolio value.</p> <p>Hedging is permitted.</p>
Credit:	<p>The Foundation's cash balances should be deposited with institutions with a minimum rating of A-or invested in a diversified money market fund.</p> <p>Bond exposure should be predominantly focused on investment grade issuers.</p>
Liquidity Requirements:	<p>The Foundation aims to distribute grants of between £150k and £200k per annum. This can be funded from both income and capital.</p> <p>The Trustees wish to keep at least 70% of the assets in investments that can be realised within three months.</p> <p>To allow for volatility of capital values, the trustees wish to maintain at least 3 years' worth of budgeted grant-making in cash or lower risk liquid investments.</p> <p>A minimum of 2% of the total assets should be kept in cash or near cash investments at all times.</p>
Time Horizon:	<p>The Foundation is expected to exist in perpetuity and investments should be managed to meet the investment objective and ensure this sustainability.</p> <p>The Foundation can adopt a long term investment time horizon.</p>
Management, Reporting and Monitoring:	<p>The Investment Manager is required to produce a valuation and performance report quarterly. The Foundation has nominated a list of authorised signatories, two of which are required to sign instructions to the Investment Manager.</p> <p>The Trustees have responsibility for agreeing strategy and monitoring the investment assets. The Trustees meet at least annually to review the portfolio, including an analysis of return, risk and asset allocation. Performance will be monitored against agreed market benchmarks, and against the investment objective of inflation plus 4% over the long term.</p>
Review of Activities:	Grants totalling £227,300 were made in 2022 (2021: £269,196). The breakdown of the grants is shown in note 9 of the accounts. The trustees monitor their level of grant-making and are prepared to utilise capital for this purpose where needed.
Financial Review:	Total income was £36,989 (2021: £5,280,944 including the £4,201,796 donation received and £1,050,449 gift aid repayment) with expenditure amounting to £270,168 (2021: £297,550). Net assets at the end of the year were £4,902,770 (2021: £5,867,948).

Trustees' Annual Report

for the year ended 30 June 2022

- Reserves:** The policy of the trustees is to aim to distribute all the income as it arises to charities each year and not to accumulate reserves. They use their discretion to distribute from capital from time to time.
- Plans for future periods:** The trustees short-term and long-term objectives are to continue to make grants in accordance with their grant making policy. The trustees aim to utilise the unrestricted and endowment funds to achieve this objective.
- The trustees plans are to release funds from the endowment fund and the Charity intends to carry out its purposes by making grants.
- Approval and review:** This Investment Policy Statement was prepared by the Trustees of the Penchant Foundation to provide a framework for the management of its investment assets. It will be reviewed on an annual basis to ensure continuing appropriateness.

Respective responsibilities of trustees:

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

The law applicable to charities in England & Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the trustees are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) observe the methods and principles in the Charities SORP 2019 (FRS102);
- c) make judgements and estimates that are reasonable and prudent;
- d) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- e) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping 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 Statement of Recommended Accounting Practice: Accounting and Reporting by Charities (SORP 2019) UK Accounting Standards, the Charities Act 2011 and 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 financial statements have been prepared in accordance with the accounting policies set out in the notes to the financial statements and comply with the Trust Deed, the Charities Act 2011 and the Statement of Recommended Practice: Accounting and Reporting by Charities applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued in October 2019.

Signed: _____
on behalf of the trustees

Date:

Independent examiner's report to the Trustees of the Penchant Foundation

I report to the trustees on my examination of the accounts of the charity for the year ended 30 June 2022, which are set out on pages 1 to 13.

Responsibilities and basis of report

As the charity's trustees you are responsible for the preparation of the accounts in accordance with the requirements of the Charities Act 2011 ('the Act').

I report in respect of my examination of the charity's accounts carried out under section 145 of the Act and in carrying out my examination I have followed all the applicable Directions given by the Charity Commission under section 145(5)(b) of the Act.

Independent examiner's statement

I have completed my examination. I confirm that no material matters have come to my attention in connection with the examination giving me cause to believe that in any material respect:

1. accounting records were not kept in respect of the charity as required by section 130 of the Act; or
2. the accounts do not accord with those records; or
3. the accounts do not comply with the applicable requirements concerning the form and content of accounts set out in the Charities (Accounts and Reports) Regulations 2008 other than any requirement that the accounts give a 'true and fair view' which is not a matter considered as part of an independent examination.

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.

Signed:

Steve Robinson FCA
Mercer & Hole LLP
72 London Road
St Albans
Herts
AL1 1NS

Date:

The Penchant Foundation

Dated 6 March 2020

**Statement of Financial Activities
for the year ended 30 June 2022**

		Expendable Endowment Funds	2022 Unrestricted Income Funds	Total	2021 Total
	Note	£	£	£	£
Income and endowments:					
Investment income	3	-	36,564	36,564	28,699
Other income	6	-	425	425	1,050,449
Donations and legacies		-	-	-	4,201,796
Total income		<u>-</u>	<u>36,989</u>	<u>36,989</u>	<u>5,280,944</u>
Expenditure on:					
Costs of raising funds	4	27,810	-	27,810	16,538
Charitable activities	5	<u>-</u>	<u>242,358</u>	<u>242,358</u>	<u>281,012</u>
Total expenditure		<u>27,810</u>	<u>242,358</u>	<u>270,168</u>	<u>297,550</u>
Net income/(expenditure) before net gains/(losses) on investments					
		(27,810)	(205,369)	(233,179)	4,983,394
Net gains/(losses) on currency exchange		-	-	-	1,794
Net gains/(losses) on investments		<u>(731,999)</u>	<u>-</u>	<u>(731,999)</u>	<u>882,760</u>
Net income/(expenditure)		(759,809)	(205,369)	(965,178)	5,867,948
Transfer between funds		<u>(205,369)</u>	<u>205,369</u>	<u>-</u>	<u>-</u>
Net movement in funds		(965,178)	-	(965,178)	5,867,948
Reconciliation of funds					
Total funds brought forward		<u>5,867,948</u>	<u>-</u>	<u>5,867,948</u>	<u>-</u>
Total funds carried forward		<u>4,902,770</u>	<u>-</u>	<u>4,902,770</u>	<u>5,867,948</u>

The Penchant Foundation
Dated 6 March 2020

Balance sheet
30 June 2022

			2022		2021
		Expendable Endowment Funds	Unrestricted Income Funds	Total	Total
	Note	£	£	£	£
Fixed assets					
Investments at market value	2	4,587,281	-	4,587,281	5,349,228
Current assets					
Investment managers' bank accounts		226,411	-	226,411	187,487
NatWest bank accounts		97,478	12,720	110,198	339,184
Gift Aid repayment due		-	-	-	449
		<u>323,889</u>	<u>12,720</u>	<u>336,609</u>	<u>527,120</u>
Liabilities					
Creditors: amounts falling due within one year					
Accountants' charges		7,200	10,320	17,520	7,200
Independent examiners' remuneration		<u>1,200</u>	<u>2,400</u>	<u>3,600</u>	<u>1,200</u>
		<u>8,400</u>	<u>12,720</u>	<u>21,120</u>	<u>8,400</u>
Net current assets/(liabilities)		<u>315,489</u>	<u>-</u>	<u>315,489</u>	<u>518,720</u>
Net assets		<u>4,902,770</u>	<u>-</u>	<u>4,902,770</u>	<u>5,867,948</u>
Allocation of the charity net assets:					
The net assets are held for the various funds as follows:-					
Expendable endowment funds	10	<u>4,902,770</u>	<u>-</u>	<u>4,902,770</u>	<u>5,867,948</u>
Unrestricted income funds	10	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charity funds		<u>4,902,770</u>	<u>-</u>	<u>4,902,770</u>	<u>5,867,948</u>

Approved by the trustees on 2023 and signed on their behalf by

..... Trustee

The Penchant Foundation
Dated 6 March 2020

Statement of Cash Flows
for the year ended 30 June 2022

	Note	Total Funds 2022 £	Total Funds 2021 £
Net cash used in operating activities	8	(256,999)	(287,805)
Cash flows from investing activities:			
Dividends and interest from investments		36,564	28,699
Proceeds from sale of investments		319,948	534,595
Purchase of investments		(290,000)	(5,001,063)
Other income		425	1,050,449
Net cash provided by investing activities		<u>66,937</u>	<u>(3,387,320)</u>
Cash flows from financing activities:			
Donations and legacies		-	4,201,796
Net cash provided by financing activities		-	4,201,796
Change in cash and cash equivalents in the reporting period		(190,062)	526,671
Cash and cash equivalents brought forward		<u>526,671</u>	<u>-</u>
Cash and cash equivalents carried forward		<u>336,609</u>	<u>526,671</u>
Representing:			
Investment managers' accounts		226,411	187,487
Charity's bank account		<u>110,198</u>	<u>339,184</u>
		<u>336,609</u>	<u>526,671</u>

Notes to the accounts
for the year ended 30 June 2022

1. Accounting policies

a) Basis of preparation

The accounts have been prepared in accordance with FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), 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 the Republic of Ireland issued in October 2019; the Charities Act 2011 and UK Generally Accepted Practice. The trust constitutes a public benefit entity as defined by FRS 102.

The financial statements have been prepared to give a 'true and fair' view and have therefore necessarily departed from the extant Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following the Statement of Recommended Practice: Accounting and Reporting by Charities applicable to charities preparing their financial statements in preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued in October 2019, rather than the Statement of Recommended Practice: Accounting and Reporting by Charities effective from 1 April 2005, which has since been withdrawn.

The accounts are prepared in sterling, which is the functional currency. Monetary amounts in these financial statements are rounded to the nearest £.

The accounts have been prepared under the historical cost convention.

b) Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

c) Fund accounting

The endowment funds represent the original capital gift to the charity, plus subsequent additions to the endowment, less amounts which have been transferred to the unrestricted funds for distribution. The trustees are entitled to use the endowment in furtherance of the general objectives of the charity at their discretion, and they transfer funds from the endowment to the unrestricted funds as required. Any gifts made to the charity as additions to the endowment are treated as expendable endowment unless otherwise directed by the donor.

d) Grants payable

Grants are included in the accounts on an accruals basis, and unconditional grant commitments payable within one year after the balance sheet date are included in the Statement of Financial Activities. Grants which have been promised subject to satisfactory performance are not included until payable.

e) Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

f) Governance costs are the costs associated with the governance arrangements of the charity which relate to the general running of the charity as opposed to those costs associated with fundraising or charitable activity. The costs will normally include internal and external audit, legal advice for trustees and costs associated with constitutional and statutory requirements e.g. the cost of trustee meetings and preparing statutory accounts. Included within this category are any costs associated with the strategic as opposed to day to day management of the charity's activities.

g) Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to the Statement of Financial Activities.

Notes to the accounts
for the year ended 30 June 2022

1. Accounting policies (continued)

h) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Expenditure on charitable activities includes costs of exhibitions and other educational activities undertaken to further the purposes of the charity
- Other expenditure represents those items not falling into any other heading.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

i) Debtors

Trade and other debtors are recognized at the settlement amount due after any discount offered. Prepayments are valued at the amount prepaid after taking account of any discounts offered.

j) Cash and cash equivalents

Cash and cash equivalents includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

k) Creditors and provisions

Creditors and provisions are recognized when the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

Creditors and provisions are normally recognized at their settlement amount after allowing for any discounts due.

l) Realised gains and losses

All gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value. Realised and unrealised investment gains and losses are combined in the Statement of Financial Activities.

2. Fixed asset investments

	2022	2021
	£	£
Market value at 30 June 2021	5,349,228	-
Additions	290,000	5,001,063
Disposals	(319,948)	(534,595)
Net investment gains / (losses)	(731,999)	882,760
Market value at 30 June 2022	<u>4,587,281</u>	<u>5,349,228</u>
Historical cost at 30 June 2022	<u>4,511,194</u>	<u>4,541,194</u>

3. Investment income

	2022	2021
	£	£
Dividends and interest received	<u>36,564</u>	<u>28,699</u>

4. Cost of raising funds

	2022	2021
	£	£
Investment management charges	<u>27,810</u>	<u>16,538</u>

The investment management costs are all attributable to endowment funds.

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Notes to the accounts
for the year ended 30 June 2022

5. Charitable activities

	2022	2021
	£	£
Charitable activities	<u>242,358</u>	<u>281,012</u>

The breakdown of charitable activities is as follow:

	2022	2021
	£	£
Grants - note 9	<u>227,300</u>	<u>269,196</u>
Donations - Chadwyck-Healey Liberation Collection 1944-1946	<u>1,088</u>	<u>1,796</u>

Governance costs

	2022	2021
	£	£
Accountants' charges	10,320	8,820
Independent Examination charges	2,400	1,200
Fee for logo design & guideline	<u>1,250</u>	<u>-</u>
	<u>13,970</u>	<u>10,020</u>

The charity undertakes its charitable activities through grant making and awarded grants to a number of institutions in furtherance of its charitable activities.

Total charitable activities	<u>242,358</u>	<u>281,012</u>
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6. Other income

	2022	2021
	£	£
Investment managers gross interest	223	-
Compensation from Natwest	200	-
Gift aid	-	1,050,449
Repayment interest	<u>2</u>	<u>-</u>
	<u>425</u>	<u>1,050,449</u>

7. Trustees remuneration and expenses

During the year, no trustees were reimbursed travel and trustees meeting expenses. Trustees' remuneration was nil.

8. Reconciliation of net movement in funds to net cash flow from operating activities

	2022	2021
	£	£
Net movement in funds	(965,178)	5,867,948
Deduct interest income shown in investing activities	(36,989)	(1,079,148)
Deduct donation receipts shown in financing activities	-	(4,201,796)
(Deduct gains)/ add back losses on investments	731,999	(882,760)
Decrease (increase) in debtors	449	(449)
Increase (decrease) in creditors	<u>12,720</u>	<u>8,400</u>
Net cash used in operating activities	<u>(256,999)</u>	<u>(287,805)</u>

9. Grants made

	2022	2021
	£	£
Arthur Rank Hospice Charity	10,000	5,000
Birdlife International	20,000	-
British Trust for Ornithology	10,000	-
Britten Pears Arts	2,500	-
Cam Valley Forum	5,000	-
Cambridge Citizens Advice (CAB)	<u>20,000</u>	<u>5,000</u>
	<u>67,500</u>	<u>10,000</u>

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9. Grants made (continued)

b/f	67,500	10,000
Cambridge Arts Theatre	975	-
Cambridge Literary Festival	1,200	-
Centre33	50,000	-
Clock Tower Sanctuary	3,000	3,000
Fauna & Flora Intl	10,000	-
Feeding Families	2,500	-
Fitzwilliam Museum	1,350	-
FNL Honresfield	20,000	-
Grant to individual to support studies	15,000	-
Grant to individual to support studies	2,000	-
Makhad Trust	5,000	-
New Orford Town Trust	-	250,023
New Orford Town Trust (legal advice)	-	2,673
Open Trust	5,000	-
Resurgo Trust	1,000	1,000
RSPB	10,000	-
Smart Works	1,000	1,000
UK Men's Sheds Association	2,500	-
University of Cambridge (Library)	10,000	-
University of Cambridge (Kettle's Yard)	2,775	-
VICS in the Community	1,500	1,500
Wildlife Trust for Bedfordshire, Cambridgeshire & Northamptonshire	15,000	-
	227,300	269,196

The grants above are categorised as below:

	2022	2021
	£	£
Biodiversity and Conservation - 6 donations	70,000	-
Social & Community - 8 donations	81,500	264,196
Overseas Poverty Relief - 3 donations	27,775	-
Arts & Culture - 5 donations	6,025	-
Education - 4 donations	32,000	-
Medical - 1 donation	10,000	5,000
	227,300	269,196

10. Analysis of charitable funds

2022	Expendable Endowment Funds	Unrestricted Income Funds	Total Funds
	£	£	£
Analysis of fund movements			
Balance b/fwd	5,867,948	-	5,867,948
Income	-	36,989	36,989
Expenditure	(27,810)	(242,358)	(270,168)
Foreign exchange gains/(losses)	-	-	-
Gains/(losses)	(731,999)	-	(731,999)
Transfers between funds	(205,369)	205,369	-
Fund c/fwd	4,902,770	-	4,902,770

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Notes to the accounts
for the year ended 30 June 2022

10. Analysis of charitable funds (continued)

2021	Expendable Endowment Funds £	Unrestricted Income Funds £	Total Funds £
Analysis of fund movements			
Balance b/fwd	-	-	-
Income	5,280,944	-	5,280,944
Expenditure	(297,550)	-	(297,550)
Transfers	1,794	-	1,794
Gains/(losses)	882,760	-	882,760
Fund c/fwd	<u>5,867,948</u>	<u>-</u>	<u>5,867,948</u>

- a) The endowment funds represent the original capital gift to the charity, plus subsequent additions to the endowment, less amounts which have been transferred to the unrestricted funds for distribution. The trustees are entitled to use the endowment in furtherance of the general objectives of the charity at their discretion, and they transfer funds from the endowment to the unrestricted funds as required. Any gifts made to the charity as additions to the endowment are treated as expendable endowment unless otherwise directed by the donor.